

Before the
COPYRIGHT ROYALTY BOARD
LIBRARY OF CONGRESS
Washington, D.C.

In the Matter of:

DETERMINATION OF RATES AND
TERMS FOR MAKING AND
DISTRIBUTING PHONORECORDS
(Phonorecords IV)

Docket No. 21-CRB-0001-PR
(2023-2027)

**WRITTEN DIRECT STATEMENT
OF COPYRIGHT OWNERS**

VOLUME VI.B

PUBLIC VERSION

COEX-4.1

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In the Matter of:

DETERMINATION OF RATES AND
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(PHONORECORDS III)

Docket No. 16–CRB–0003–PR
(2018–2022)

WITNESS STATEMENT OF THOMAS KELLY

1. My name is Thomas Kelly and I am Executive Vice President, Finance and Administration, at Sony/ATV Music Publishing LLC (“SATV”).

2. While everything in music starts with the writers and composers of the songs, music publishers play a critical role in helping to discover and nurture the development of those writers and composers. Indeed, as I will explain below, but for the ability of music publishers to financially support the investment in new songwriters – many of whom will never achieve any commercial success – through the income generated by the publishers’ existing catalogues of successful songs, I believe that the creation of future generations of “evergreen” songs will inevitably be diminished. If the income being generated by existing catalogues diminishes, the ability of music publishers to continue to make risky investments in the creation of new music will similarly be diminished.

3. But the role of music publishers is not limited to finding writers and composers and helping them to develop their talents. Music publishers provide financial support to both new and existing writers and composers by paying advances against royalties that may or may not be earned in the future, advances that music publishers have been able to fund by virtue of the income

generated by their existing catalogues. Music publishers market, promote and arrange for the world-wide sub-publication and licensing of the songs. They track the exploitation of the songs, collect and process all of the income received from thousands of users and issue royalty statements to the writers and composers. They protect the copyrights against unauthorized use, both through their in-house counsel and through outside litigation counsel.

4. Individual writers could not afford to bear the costs of performing all of these functions. Without music publishers, the music industry would be disrupted and the output of new music would inevitably be reduced. And like any other business, unless music publishers can earn a return on their investment in new and existing writers that is at least equal to or more than the return they would earn were they to pay down debt or make alternative investments, at some point their investors will undoubtedly require that their income be deployed other than by investing in the creation of new songs.

5. Accordingly, I make this statement to document, from a financial perspective, the investment that SATV makes in identifying, signing and then supporting the creative efforts of writers and composers. I will also identify and explain the financial investment that SATV makes in marketing, promoting, licensing the songs and assuring that they are exploited and licensed not merely in the United States but also on a world-wide basis through sub-publishers. Further, I will explain and document the financial investment SATV makes in tracking the exploitation of the songs, collecting and processing the income paid by thousands of users and assuring that the writers and composers are then accounted to and paid their share of the income generated by their songs. Finally, I will explain and document the financial investment that SATV makes to protect the copyrights against unauthorized use.

Professional Background

6. I began my career in music publishing at EMI Music Publishing in November 1991, after having worked in public accounting at Ernst and Young. While at EMI Music Publishing, I held a number of positions, including Senior Vice President of Finance for North America and Executive Vice President of Worldwide Financial Operations. In January 2008, I was appointed Chief Financial Officer and became responsible for EMI Music Publishing's accounting and financial operations worldwide. I held that position until the company was sold to a consortium of investors, including Sony Corporation of America, on June 29, 2012, at which time I assumed my current position at Sony/ATV Music Publishing. I am a Certified Public Accountant and have a degree in accounting from Rutgers University.

7. As Executive Vice President, Finance and Administration at SATV, part of my responsibilities include the overseeing of Financial Planning and Analysis and the Global Copyright and Royalty Administration functions. I report directly to the CFO of SATV, Joseph Puzio, and, as needed, to the Chairman and CEO of SATV, Martin Bandier.

8. In this witness statement, I will be referring to financial information and attaching documents that are derived from the books and records of both SATV and the EMI Music Publishing Companies ("EMI"), which, as I will explain below, have been administered by SATV since June 29, 2012. In my capacity as Executive Vice President, Finance and Administration, I have access to and knowledge of the financial records of both SATV and EMI. It is my understanding that the financial information to which I will refer has been provided to the other parties in this proceeding, although some of the specific information and documents to which I will refer drill down deeper into some of the financial categories of information that have been previously produced.

SATV and EMI Music Publishing

9. SATV is one of the largest music publishing companies in the world, owning or administering (not including the EMI catalogue) approximately [REDACTED] songs written by [REDACTED] songwriters. It controls many of the most successful and valuable music catalogues of all time. As Peter Brodsky states in his witness statement, SATV's catalogue includes songs written by iconic writers such as John Lennon and Paul McCartney of The Beatles, Leonard Cohen and Bob Dylan. SATV also administers and/or co-publishes songs written by contemporary artist/writers such as Taylor Swift and Lady Gaga. While these contemporary artist/writers are all now household names, responsible for some of the most popular songs and recordings of recent years, they started out as unknowns and were nurtured, promoted and supported by SATV.

10. In June of 2012, following the purchase of the EMI Music Publishing companies ("EMI") by a consortium of investors including Sony Corporation of America (along with the Estate of Michael Jackson),¹ SATV became the exclusive world-wide administrator of the EMI catalogue on behalf of the owners of EMI. While all of the EMI world-wide publishing companies remain separately owned and maintain their own corporate existence, SATV's employees around the world are now responsible for managing the publishing interests of the EMI companies, and perform all of the administrative functions, including creative (also sometimes referred to as artist and repertoire), synchronization licensing, grand rights licensing, mechanical licensing, copyright administration, business affairs and legal, income tracking and royalty accounting.

11. EMI's catalogue, which consists of approximately [REDACTED] songs written by [REDACTED] writers, includes some of the most famous songs of all time, including the incredible Jobete (Motown) catalogue (with songs by Holland, Dozier, Holland, Smokey

¹ [REDACTED]

Robinson, Norman Whitfield and Stevie Wonder, among others), classic motion picture songs written by Harry Warren and by Yip Harburg and Harold Arlen (including “Over The Rainbow”), songs written by Carole King and Gerry Goffin, and the Duke Ellington catalogue. Similar to SATV, EMI’s roster of writers also includes contemporary artists like Alicia Keys and Pharrell Williams, who started out as unknowns and who were nurtured, promoted and supported by EMI.

12. Including the administration of the EMI catalogue, SATV now owns or administers the largest catalogue of musical compositions in the world, with some [REDACTED] songs. While not all of the songs continue to generate income, [REDACTED] continue to generate some level of income from public performances, live theatrical performances and mechanical reproduction, including streaming.

The Role of Music Publishers In The Creation and Exploitation of Music

13. As explained in more detail in the accompanying witness statement of Peter Brodsky, music publishers like SATV and EMI employ [REDACTED] people who are responsible for all of the activities that ultimately assure the continuing availability to the public of not only existing songs but also a constant stream of new songs by both established writers and new writers.

14. Again, as Mr. Brodsky explains in his witness statement, the critical functions performed by music publishers start with the creative department, which is dedicated to searching for new and unknown writers and then working with them to hone their talents and to identify recording artists interested in recording their songs. The business affairs and legal departments perform a broad array of critical services, including negotiating and drafting contracts with new writers, extending agreements with existing writers, acquiring catalogues of songs, securing extended renewal term agreements under the United States Copyright Act with writers and their heirs, negotiating agreements with prospective licensees for the exploitation of songs (including

with interactive streaming services), and protecting the rights in the songs along with outside litigation counsel.

15. Music publishers also have finance and business development departments which focus on, among other things, modeling deals for the acquisition of rights from both new and existing writers, including making financial determinations regarding advances to be paid to writers as well as valuing rights for purposes of acquiring catalogues and purchasing extended renewal term rights.

16. As I will explain below, the financial modeling that is done, both for computing advances and for acquisitions, including the purchase of extended renewal term rights and catalogues, has always involved uncertainty and requires a great deal of experience and judgment.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

17. These forecasting problems are compounded with new writers. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Ultimately, entering into agreements with unknown new writers involves something of a leap of faith. Yet, unless there were music publishers willing to back up their belief in the talent of unknown writers with advance payments against royalties that may never be earned, the public would likely be deprived of the next Smokey Robinson, John Lennon, Paul McCartney or Carole King. Music publishers take these financial risks, many of

which never pay off, because they can fund these risky advances, which are investments in the future of music, through the income being generated by their existing catalogues of songs. Because music publishers have been able to take these risks, the public and the streaming services enjoy the benefits of the music that the successful new writers create, without having to bear the costs associated with the failed investments made in the many new writers who prove unsuccessful.

18. As stated in detail in Mr. Brodsky's witness statement, music publishers also have departments devoted to the administration of the copyrights, including making sure that the copyrights are protected and registered with the United States Copyright Office, as well as with mechanical and performing rights collecting societies around the world. In addition, they ensure that the copyrights are licensed to both affiliated and unaffiliated foreign sub-publishers for exploitation abroad.

19. The copyright administration department also performs critical research roles with respect to historical catalogues. Copyrights currently endure for the life of the author plus 70 years. For older works that were copyrighted under the 1909 Copyright Act, the term of United States copyright protection is now 95 years. EMI, in particular, has a very significant historical catalogue, owning and administering songs that were written as early as the 1920s. The copyright administration department is responsible for maintaining and frequently researching the records relating to these songs in order to ensure that they are protected and that they continue to generate income.

20. SATV employs nearly [REDACTED] employees in its Copyright Department worldwide, including [REDACTED] in the United States.

21. Music publishers also have large departments dedicated to licensing. In order for both writers and publishers to generate income from songs, the songs must be licensed for

exploitation. Songs generate income from a variety of uses. In the United States, music publishers issue, directly or through agents such as The Harry Fox Agency, mechanical licenses, which authorize the exploitation of songs on phonorecords, digital downloads and streaming services. Music publishers have employees devoted to seeking to secure synchronization licenses for the use of songs in commercial advertisements and in television programs and motion pictures. Of increasing importance are the licensing of what is known as “grand rights,” which is the use of songs in a live theatrical presentation (such as “Mamma Mia,” “Jersey Boys” “Beautiful, The Carole King Story” and “Motown The Musical”).

22. Music publishers have also been required to make significant investments in music rights management and royalty accounting systems. The exploitation of songs is a world-wide business and publishers like SATV and EMI receive royalty statements and payments from [REDACTED] licensees. All of this data has to be processed and royalty statements have to be generated, either quarterly or semi-annually (depending upon the terms of the specific songwriter agreement), to each of the [REDACTED] writers and co-publishers of the songs owned and administered by SATV and EMI.

23. SATV’s Copyright and Royalty Administration departments employs a proprietary system known as TEMPO that manages copyright and royalty information for its catalogue and now that of EMI.² SATV installed the TEMPO system in 2007, and through fiscal year 2016 (SATV and EMI are both on a fiscal year that ends on March 31 of each year so that fiscal 2016 concluded on March 31, 2016), it has invested nearly [REDACTED]. In addition, as I will explain below, SATV employs a large number of people in Nashville who are engaged in the receipt and processing of the royalty statements and payments we receive

² EMI’s data has been migrated to SATV’s TEMPO system.

from around the world and the generation and rendition of royalty statements to our writers and co-publishers.

Discovery and Development of Songwriters

24. One of the most significant contributions of music publishers like SATV and EMI to the music industry is the investment they make in discovering and developing new songwriting talent. As with all creative endeavors, the public is constantly seeking new music to listen to, to sing and to frame the events of their lives. Music publishers like SATV employ people whose sole role is to discover great writers and who, after signing such writers to agreements, work with them and with recording artists to secure the exploitation of the songs they create.

25. Again, Mr. Brodsky's witness statement explains how SATV's employees in our Creative Department undertake to discover and develop new songwriting talent. SATV employs some ■ Creative professionals in the United States alone and an additional ■ professionals worldwide, who are dedicated to discovering and developing fresh and diverse songwriting talent.

26. These activities of our Creative Department, which are crucial to SATV's development of songwriters and crucial to the expansion of the music available to the public (and some of which comes to be the "inventory" that attracts the listening public to the streaming services), entail a significant cost to SATV ■

■ which are discussed in detail below.

27. Discovering new writers would not mean very much unless SATV and EMI were also able to enter into contracts with them. In order to secure the right to publish or administer the songs to be written in the future by a new writer (as well as to acquire the right to publish or administer the songs already written by successful writers whose catalogues of existing songs and songs to be written in the future may become available), SATV is almost always required to pay

an advance against the hoped-for future royalty earnings that may be earned by the songwriter's songs. SATV's Business Development Department is responsible for [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

28. As I have said, with existing writers who have a proven body of work, [REDACTED]

[REDACTED]

[REDACTED]. Over the past few years, SATV and EMI have paid lump sum advances of as much as [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The financial risks that must be assumed by a music publisher to find the writers of the "hits" of the future, the income from which will, in turn, support the continued search for succeeding generations of new great writers are therefore increasing. Attached as **CO Ex. 4.1** is a schedule reflecting the total advances paid by SATV and EMI for the past four fiscal years and the portion of those advances paid to new

unproven writers.

29. Music publishers have no choice but to continue to make advances, both to unproven new writers and to acquire rights from existing and successful writers. These advances are paid not only to effectively compete but to also enable writers to work. Advances are essential to the development of new and established songwriters. As explained by the writers who have submitted witness statements in this proceeding, advances enable writers to write by financing their day-to-day expenses, including professional bills, management commissions, equipment costs, transportation, taxes and general living expenses.

30. The advances paid by SATV to their songwriters constitute risky but necessary investments in the songwriter's talent. Based on our experience, while we always hope that these advances will eventually be recouped from the income that may be produced if the writers are successful, in fact, many of the advances we make are never recouped and must be written off. Even where we pay advances to successful writers to acquire their existing songs, with the changes in the music industry's landscape, there is no assurance that the advances we pay will be recouped in any reasonable period of time. For new writers, the risks are obviously compounded. There is no guarantee that their songs will ever be recorded, or, if recorded, that the recordings will be successful. [REDACTED]

[REDACTED]

31. Attached as **CO Ex. 4.2** is a schedule prepared from our financial records which reflects the [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

32. Despite this risk, SATV's payment of advances are crucial to the signing and development of songwriters. These advances constitute a substantial yearly expenditure by SATV. In 2013, in the United States alone, [REDACTED]. As reflected on CO Ex. 4.1, SATV paid out [REDACTED] in advances during the year and it recouped [REDACTED]. By 2015 and 2016, [REDACTED]. For example, in 2015, [REDACTED]. (CO Ex. 4.1.) In [REDACTED].

33. In fiscal year 2015, SATV's and EMI's advance spend on new and existing writers equated to [REDACTED] of their total revenue, respectively. (CO Ex. 4.1.) In fiscal year 2016, SATV and EMI's advance spend equated to [REDACTED] of their total revenue, respectively. [REDACTED].

34. In addition to discovering new songwriting talent and evaluating their potential, the Creative Department is also involved with developing the new songwriters, which presents further overhead costs. For example, SATV operates three recording studios in the United States. One

studio, located in Nashville, [REDACTED]
[REDACTED]. The other two studios are located in Los Angeles, California [REDACTED].

35. In addition to the Creative Department, discovery and development of songwriting talent also involves the Business and Legal Affairs Department. SATV employs over [REDACTED] people in its Business and Legal Affairs Department in the United States and has more than [REDACTED] Business and Legal Affairs employees worldwide. The Business and Legal Affairs department consists primarily of lawyers and other professionals with deep experience in the music industry. Not only do they negotiate and draft songwriter agreements with both new writers and with writers who have already achieved success, but they also supervise outside counsel in litigations involving the protection of the songs in SATV's catalogue and in the negotiation and drafting of the more complicated license agreements (including those for live theatrical productions such as "Jersey Boys," "Beautiful, The Carole King Story," "Motown: The Musical" and "The Wizard Of Oz").

36. Also entrusted to the supervision of the Business and Legal Affairs Department is the negotiation and drafting of agreements to acquire catalogues of songs from songwriters and other publishers and to purchase what are known as extended renewal term rights, which are rights arising under two complex and little-understood provisions of the United States Copyright Act which enable writers and their heirs to recapture rights they have granted and to then resell them. Understanding and being able to address extended renewal term rights is especially critical for older catalogues such as EMI where the grants of rights made decades ago are entering into the period where the extended renewal term rights are coming due and it is increasingly becoming an issue for SATV as well.

37. While the work and expense SATV is required to incur in order to maintain control

and supervision over a large body of proven songs may not appear to be directly linked to the financial investment SATV makes in discovering and signing new artists who may write the songs that everyone will be listening to in the future, the reality is that without the revenues produced by SATV's and EMI's successful catalogues of songs, we would not have the ability to make risky investments in unproven writers.

38. The costs associated with all of these activities fall within the overheads costs of these departments, which in turn constitute a large portion of SATV's overhead. In 2015 and 2016, the overhead expenses for the creative departments across the United States totaled [REDACTED], respectively. The Business and Legal Affairs Department incurred overhead expenses of [REDACTED]. Attached as **CO Ex. 4.3** is a schedule reflecting SATV's operating costs. I have drilled down into the financial statements to extract the foregoing specific departmental costs referred to herein.

39. While SATV's Film & Television/Synch Department engages in generating income through the negotiation and issuance of what are known as synchronization licenses, which authorize the use of songs in motion pictures, television programs, television commercials, video games or any other audiovisual medium. SATV's Film & Television/Synch Department employs approximately [REDACTED] people in the United States and approximately [REDACTED] people worldwide. In 2015 and 2016, the department's overhead expenses were approximately [REDACTED], respectively. (CO Ex. 4.3.) Again, the specific expense of this department is derived from and contained within the financial statements we provided to the parties.

40. The costs of maintaining this department are part of the investment SATV makes to maximize the exposure of the works of our songwriters and to help generate income from their songs. [REDACTED]

██████████

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Furthering The Value of Existing Songwriter Works

42. As I mentioned above, the United States Copyright Act has several complex provisions under which a songwriter or his or her heirs can terminate existing contracts granting the rights to a music publisher and make new grants to either the same or a different publisher.

43. Because music publishers such as SATV and EMI could not continue to support the creation of the new songs – some of which will become the “standards” for the present and future generations of listeners – without the revenues provided by our existing catalogues, we also invest substantial monies to acquire existing songs written by already successful writers and their future songs as well as to acquire the United States extended copyright renewal terms of existing musical compositions.

44. For proven songs with a long history of consistently generating income (which are often referred to as “evergreen” songs), the cost of acquiring extended renewal term rights can be incredibly expensive, involving purchase prices in the range of [REDACTED] times historical income. By way of example, last year, EMI paid some [REDACTED] to acquire the extended renewal term rights (and the songwriter royalties that would be payable in the future) for a single song

[REDACTED]. Similarly, in December 2012, EMI acquired the extended renewal term rights (and future songwriter royalties) of the songs written in part by [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

45. For all of the reasons I have already described and for the reasons set forth in Peter Brodsky's witness statement regarding the changes in the music industry, there is no assurance that these songs will continue to generate the same level of income as in the past. There is no assurance that the amounts that EMI paid will be recouped in any reasonable period of time, if at all. In order to support the necessary investment in the continued search for and development of new songwriters who hopefully will write the "evergreen" songs of the future, we continue to make investments in order to retain as large a body of proven songs as possible. Hopefully, they will continue to generate income for years to come and SATV and EMI will not be forced to deploy their financial resources in ways that may offer a better or less risky return on investment.

46. Thus, since the beginning of fiscal year 2015, SATV has spent [REDACTED] to acquire the extended renewal rights of existing catalogues and songs. EMI, [REDACTED] [REDACTED] spent [REDACTED] in acquisitions of extended renewal rights of existing catalogues.

47. As I have said, in addition to the risk associated with valuing existing compositions or catalogues, there is another risk in a publisher's decision to invest its capital into existing compositions or catalogues. The music publisher acquiring the existing composition or catalogue must evaluate and decide whether the capital being expended might be better used for other

business expenses, such as paying down debt. [REDACTED]

[REDACTED]

[REDACTED]

48. Thus, just as investing in new and unproven writers entails great risk, there is also a large assumption of risk by the publisher in making acquisitions of existing compositions or catalogues. Yet, as explained in more detail below, with the changes in the music industry, specifically the change from an ownership model to an on-demand model [REDACTED] forecasting future revenues that will be earned from the exploitation of even “evergreen” songs has become increasingly difficult.

49. As a result of these changes in the music business, determining how much should be offered to acquire either or both songwriter royalties or extended renewal term rights (or even current rights in an existing catalogue of songs) carries far greater risk than in the past. Yet there is little choice because, if the music industry is to continue to identify and develop the new “evergreen” songs of the future, music publishers must continue to invest not only in finding, signing and developing new writers but in retaining and acquiring the rights to the successful existing songs that will support the investment in the future of music.

Protecting Songwriters’ Works and Right to Revenue

50. Publishers like SATV and EMI are responsible for administering the rights in the musical compositions in their catalogues, including by licensing mechanical rights, synchronization rights, performance rights and print rights. SATV and EMI license mechanical rights to users both directly and through The Harry Fox Agency in the United States and through foreign societies such as MCPS in the United Kingdom and GEMA in Germany.

51. SATV and EMI license public performance rights in the United States through the performance rights organizations, ASCAP, BMI or SESAC as well as directly. Indeed, over the past four years, EMI and SATV (and other publishers) have spent [REDACTED] participating in what are known as “rate court” proceedings and in a United States Department of Justice inquiry into what are known as the ASCAP and BMI “Consent Decrees” in an effort to protect and enhance the value of the catalogues of music they control and to protect the income to be generated for writers and publishers now and in the future. These “investments” could not be made by individual writers but are effectively made on their behalf by the publishers at the publishers’ expense.

52. One of the most important services provided by a music publisher is the processing of royalties that are received from users of songs and the generation of statements and payments to writers. As I have said, this is a world-wide business in which SATV and EMI receive statements and payments from [REDACTED] users of music every year.

53. These royalty services are administered by SATV’s Royalty Administration Department. In the United States, SATV employs some [REDACTED] employees who audit and administer songwriter royalties within the Royalty Administration Departments. SATV also employs approximately [REDACTED] people outside the United States in this area.

54. The overhead expenses associated with the day-to-day administration of copyrights and royalties is significant. In the United States during fiscal year 2016, the overhead costs associated with these functions exceeded [REDACTED]. (CO Ex. 4.3.) Again, this information is a departmental segment within the financial statements and is part of the operating costs of SATV.

55. As evidenced by the sheer number of employees in the Royalty Administration Department, the processing of royalties is not simply a computerized activity. While many of the statements are electronic and are coded to songs, the output still has to be examined and there are

always significant statements or parts of statements that cannot be matched. These all have to be examined by our employees [REDACTED]. In addition, there are thousands of statements and payments that continue to come in paper form [REDACTED].

56. Further, [REDACTED] there are always questions raised by writers, their heirs and their representatives about their royalty statements, both in writing and by telephone. The employees of the Royalty Administration Department handle these calls and communications. There are also audits regularly conducted on behalf of writers and the employees of the Royalty Administration Department also address the audit inquiries and provide responses to audit reports and participate in the resolution of any audit disputes.

57. In addition to the foregoing departments, SATV also incurs additional costs in connection with the day-to-day administration of its catalogue and that of EMI, including SATV's Finance Department and Business Development Department, which provide the financial modeling work with respect to new writer deals, the acquisition of existing catalogues and the purchase of writer royalty streams and extended renewal term rights. These departments obviously also manage the overall financial and business affairs of SATV (and EMI). In the United States, these departments incurred more than [REDACTED] in overhead costs in 2016. (CO Ex. 4.3.) Again, as with the other financial information referred to herein, this information is a departmental segment within the financial statements and is part of the operating costs of SATV.

58. Sitting atop the overall business of the world-wide SATV business is the Global Management Department, which is responsible for supervising and managing all of the separate departments, including royalty, copyright, licensing, income tracking, financial planning and administration activities and each of the world-wide music publishing affiliates of both SATV and

EMI (which are located in most of the major countries in the world). The overhead costs associated with the Global Management Department in 2015 were [REDACTED] and rose to [REDACTED] in 2016. These costs too are embodied within the operating costs reflected in SATV's financial statements. (CO Ex. 4.3.)

Changes to Music Publishing With the Rise of Digital Music Streaming Services

59. Over the past five years, [REDACTED] the sale of physical albums and digital downloads [REDACTED]. [REDACTED] SATV's United States-based mechanical income from the sale of physical recordings and digital downloads in 2014 was [REDACTED], by 2016 [REDACTED]. During that same period, SATV's mechanical income from streaming services [REDACTED]. Attached as **CO Ex. 4.4** is a spreadsheet reflecting the various categories of income, including mechanical income earned from various forms of exploitation of songs for the years 2014 through 2016.

60. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] (See *id.*)

61. To illustrate what I mean, mechanical income from physical recordings and digital downloads [REDACTED]

[REDACTED] mechanical income from streaming services [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

62. With the shift in revenues from the sale of physical recordings and digital downloads to digital streaming services, music publishers like SATV and EMI are facing new difficulties in managing their business and continuing to acquire the services of new writers and existing catalogues and songs. As I have explained, the income from existing and successful works supports the ability of music publishers to continue to identify, sign and develop new writers. Yet the ability to do so requires some level of confidence in predicting the future revenue that may be generated from both as-yet unwritten songs and even from existing songs.

63. Moreover, I have discovered that digital streaming services have difficulty in matching their streaming data to a particular recording and hence to a particular song. Consequently, we have found that writers and publishers often fail to be paid or are long delayed in receiving even the reduced amount of income that should be forthcoming from these streaming services. Based on my review of reports that have been issued by Spotify (for example), I have seen that, in some instances, the duration of these delays in paying royalties earned has spanned [REDACTED].

64. I am aware that the Copyright Owners in this proceeding contend that the “late fee” provisions that exist in the regulations are applicable to the streaming services and, if for some reason they are not, they should prospectively be applicable. I concur with the application of a late fee. There is no reason why the publishers and writers should effectively be making interest-free loans to the streaming services to help subsidize their businesses.

65. Not only do these delayed payments create even more problems for both writers and publishers (especially for those writers who are dependent on the declining income they are

receiving for the exploitation of their songs), the delayed payments further increase the difficulty in forecasting income from both new and existing songs. I also believe that these delayed payments may be exacerbating the [REDACTED]

[REDACTED].

66. As I stated above, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] not only negatively affects the publishers' ability to evaluate deals and support the discovery and development of new writers but it also negatively affects new songwriters [REDACTED]

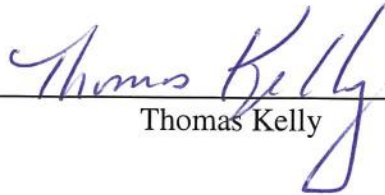
[REDACTED]. It obviously also negatively affects even established writers without recoupable advances.

67. Beyond the inadequacy of the rates paid by streaming services – for which I respectfully refer the Judges to the analyses provided by the expert economists and to the witness statement of Peter Brodsky – I believe that some of the delays in payment and accounting would be alleviated by a simpler and more straightforward means of calculating royalties, more akin to how mechanical income has been paid in the physical and digital download world for more than a century. If the rate were paid on a per-play and per-user basis, a writer and publisher would only have to know the identity of the song and the number of plays, and the number of users of the digital service during the relevant accounting period, to determine the income payable to the publisher and songwriter.

68. Again, while I defer to others for what that rate should be, given the hard data I have described herein and given the costs that music publishers must incur and the risks that they must run, in my view, it is imperative that the rates paid by streaming services for the mechanical reproduction of songs be increased if we are to be able to continue to find, develop and make available the new songs that will enrich the lives of the public in the future. Without healthy and thriving music publishers who effectively finance the creative base on which the entire music industry is built – the songs – the public will be deprived of at least some of the great music of the future which may never be written. In my view, this is precisely the disruption that the Copyright Act seeks to avoid in the setting of mechanical rates.

I declare under penalty of perjury that the foregoing testimony is true and correct to the best of my knowledge, information and belief.

Dated: October 28, 2016



Thomas Kelly

COEX-4.2
RESTRICTED
FILED UNDER SEAL

COEX-4.3
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COEX-4.4
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COEX-4.5
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COEX-4.11
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COEX-4.12
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FILED UNDER SEAL

COEX-5.1

Before the
COPYRIGHT ROYALTY BOARD
LIBRARY OF CONGRESS
Washington, D.C.

In the Matter of:

DETERMINATION OF RATES AND
TERMS FOR MAKING AND
DISTRIBUTING PHONORECORDS
(PHONORECORDS III)

Docket No. 16–CRB–0003–PR
(2018–2022)

WITNESS STATEMENT OF DAVID KOKAKIS

1. My name is David Kokakis. I am Executive Vice President/Head of Business & Legal Affairs, Business Development and Digital, Universal Music Publishing Group (“UMPG”). I make this statement to provide: (1) an overview of the role of UMPG and other publishers in the music industry; (2) an explanation of the reasons digital music services that can obtain mechanical rights by complying with the compulsory mechanical license provisions of Section 115 of the Copyright Act (“Digital Services”), including participants Amazon, Apple, Google and Spotify, do not fairly compensate songwriters and publishers under the current rate structure; and (3) a summary of rates obtained in direct licenses that UMPG has entered into both with Digital Services that are subject to the compulsory license, and digital music services that are not subject to the compulsory license and were therefore negotiated in the free market.

I. My Professional Background

2. I have held my current title at UMPG since July 1, 2015. Previously, I was Senior Vice President, Head of Business & Legal Affairs and Business Development, a position I had held since November 14, 2011. In my current capacity as Executive Vice President, my responsibilities include overseeing all contract negotiations and legal matters.

3. I have over twenty years of experience in the entertainment industry. Before joining UMPG, I practiced entertainment law for over a decade at various firms, including Greenberg Traurig LLP. I also served as an executive for several years at branding and talent management companies whose clients included television celebrities, entertainers, authors, book publishing imprints and professional athletes.

4. I have been involved in negotiating digital media agreements since joining UMPG in 2009. Among other responsibilities, I oversee the licensing of digital services in the United States, including the licensing of Digital Services that make and distribute limited downloads and interactive streams via the various service offerings identified in the regulations implementing the compulsory license provisions of Section 115 of the U.S. Copyright Act (“Section 115”), codified at 37 C.F.R. § 385, Subparts B and C, including, *inter alia*, subscription and non-subscription interactive streaming and limited download services, limited offerings, and locker services (the “Subpart B & C Configurations”).

II. The Role Of UMPG And Music Publishers Generally In The Industry

A. Overview

5. Music publishers are a fundamental driving force in music’s creation and dissemination. While the general public may be more familiar with the roles of the record label, the artist, and the songwriter, music publishers also play a vital role by developing songwriters’ careers, licensing their works so that their songs may be heard, protecting their intellectual property rights, and making sure they are properly paid.

6. Music publishers discover new talent. When they find talented songwriters, music publishers sign them and support them financially through the payment of advances. Music publishers promote their songwriters to recording artists and record labels as well as to outlets in other industries like film, television, and advertising who are looking to incorporate

songs into their works. They match their songwriters with other songwriters for writing collaborations, as well as with the artists and producers who ultimately record the songs. They negotiate and administer licenses for the songs on behalf of their songwriters. They protect their songwriters' legal rights through copyright registrations, anti-piracy efforts and litigation.

B. UMPG's Business

7. UMPG is one of the leading music publishing companies in the world.

8. Today, UMPG represents music in every genre from some of the world's most important songwriters and catalogs. UMPG's current roster includes over [REDACTED] active songwriters and over [REDACTED] active producers.

9. Some of our most widely known and successful songwriters are: ABBA, Adele, Alabama Shakes, The Beach Boys, Beastie Boys, Leonard Bernstein, Justin Bieber, Mariah Carey, The Clash, Coldplay, Elvis Costello, Neil Diamond, Eminem, Gloria and Emilio Estefan, Florence + the Machine, Ariana Grande, Al Green, Jimi Hendrix, Sam Hunt, Imagine Dragons, Demi Lovato, Carly Rae Jepsen, Billy Joel, Elton John, Joe Jonas, Nick Jonas, The Mamas and The Papas, Pearl Jam, Maroon 5, Shawn Mendes, Miguel, Mumford & Sons, Randy Newman, New Order, Ne-Yo, Steve Perry, Otis Redding, R.E.M., Gustavo Santaolalla, Sex Pistols, Paul Simon, Britney Spears, Stax (East Memphis Music), Justin Timberlake, U2, Keith Urban, Diane Warren, Andrew Lloyd Webber and many others. UMPG is also a global leader in production music, which is music composed primarily for film, television, and advertising.

10. UMPG currently owns and/or administers an interest in over [REDACTED] musical compositions.

C. UMPG's Services

11. UMPG provides a wide range of services to songwriters that enable them to create songs and develop their careers. A key aspect of our business is talent discovery and

development. We find and sign talented songwriters early in their careers and help them actualize their ambitions and realize their potential, both creatively and professionally. This is no simple task. UMPG employs a staff of ■ artist and repertoire (“A&R”) professionals in the United States, and approximately ■ worldwide, whose job it is to identify talent. They do so largely by scouting live performances, by listening to demos that are submitted to UMPG, by scouring the internet, and via relationships with other artists and writers.

12. The costs of the search for talented songwriters is high, both in dollars and time. As we often sign songwriters at the earliest stages in their careers, a significant percentage of the songwriters we sign have not yet appeared on a commercially successful recording at the time of signing. Of course, signing unproven talent carries substantial business risk, and some songwriters do not go on to generate major hits or significant revenue in their careers. On average, only ■ songwriters achieves commercial success, but that is the nature of our business model.

13. UMPG signs approximately ■ songwriters a year, on average. In 2015, UMPG signed ■ songwriters. In 2016, through the end of September, UMPG has signed ■ new songwriters.

14. Among the songwriters we signed to new deals in 2015 and 2016 (and the hit songs they wrote or co-wrote) are songwriter/artists Demi Lovato (“Cool For The Summer” and “Confident”), DNCE/Joe Jonas (“Cake By The Ocean”), and Shawn Mendes (“I Know What You Did Last Summer”); and pure songwriters Talay Riley (“Levels,” recorded by Nick Jonas), DeHeala (the Grammy- and Oscar-nominated “Earned It,” recorded by The Weeknd), and Lawrence Taylor (“Feels,” recorded by Kiara, and “Weekend,” recorded by Icona Pop).

15. As is usually the case, many of the songwriters we signed in 2015 and 2016 were relatively unknown when we signed them.

16. Some examples will illustrate the many different ways that UMPG's creative teams go about discovering and signing songwriters.

17. David Gray, our Executive Vice President/Head of West Coast A&R (and a former songwriter and recording artist), knew Demi Lovato from working with her when she was on the television show "The X Factor." Songwriters Paro and Delacey were referred to David by, respectively, a producer manager and an attorney.

18. Sterling Simms, a Grammy-nominated songwriter and UMPG's Director of Creative, had been tracking the career of producer-songwriter Charlie Handsome following the success of the rapper Post Malone, who Charlie had a hand in helping to develop creatively. He soon learned that our Chairman, Jody Gerson, was also a fan of Charlie's work and quickly set up meetings to hear more of his music. Sterling next arranged a few sessions with Charlie to establish a creative flow, determined that he could add value to Charlie's career, and signed him. Charlie has since been incredibly active and UMPG was able to secure placements for four of Charlie's songs, including two on Lee Daniels' upcoming series, "Star," which will soon air on FOX.

19. Our A&R staff also monitors a host of websites in an effort to identify new talent, including [REDACTED]

[REDACTED]. Lewis Del Mar – a self-sustained rock band who writes 100% of their songs – was discovered by our A&R professional, Jen Fierman, during a daily research routine on [REDACTED]. Recognizing growing demand for alternative music with big driving beats, especially for film and television projects, Jen went to see them perform live

on several occasions. It was clear to her that the energy of their live performances matched what she had heard on [REDACTED], and so we signed them. Our A&R professional, Nick Maya, found Lawrence Taylor from [REDACTED]. Nick played Lawrence's music at an A&R meeting and the entire team was in agreement that Lawrence's music was special and he should be signed. Nick has told me that he frequently discovers songwriters on blogs. He checks [REDACTED] blogs on a daily basis; from blogs as well-followed as [REDACTED], to [REDACTED].

20. Once we sign a songwriter, we provide her with an array of services to help her write great songs and develop her career. We generally pay her an advance. The purpose of the advance is to enable the songwriter to support herself while she writes, and to focus full-time on songwriting, before she has generated an income from license fees and other sources. The advances we pay typically run from [REDACTED] for a newly discovered, not yet successful songwriter, and as much as [REDACTED] for experienced songwriters with a proven track record. The amount of the advance varies and is subject to negotiation.

21. UMPG typically seeks to recoup the cost of the advance from the royalties earned from licenses of the songwriter's works (generally, mechanical, synchronization, print, merchandising, and the publisher's share of public performance royalties; the writer's share of public performance royalties is almost always paid directly to the songwriter by the songwriter's performing rights organization and is not in any instance used to recoup the advance), if and when the songwriter's songs generate such royalties. Of course, the royalties earned may be less than the amount of the advance paid by UMPG – in some cases significantly less – in which case UMPG is, with rare exception, never repaid by the songwriter concerned.

22. We assign each of the songwriters we sign to a professional creative team. The creative team, among other things, identifies co-writing opportunities and songwriter-producer collaborations for the songwriter.

23. Many of our songwriters have found great success through such collaborations. UMPG has assisted songwriters in putting together successful writing teams of all sizes and for all genres of music. For example, “Love The Way You Lie” by Eminem and Rihanna, which reached Number 1 on several record charts worldwide, resulted from an introduction made by UMPG A&R professional Jessica Rivera of songwriter Skylar Grey to producer Alex Da Kid. Similarly, David Gray paired the artist Halsey with writers DaHeala and Nasri, and the resulting song is slated to be in a key scene in the “50 Shades of Grey” sequel.

24. Our creative team also promotes our songwriters to recording artists and producers who may be looking for a musical composition of a certain genre or style, and to record labels who may be interested in having a particular songwriter record as an artist. Our songwriters benefit from UMPG’s decades of industry experience and connections, which enable us to connect our songwriters with the labels, artists and producers who can help to achieve their goals.

25. For example, David Gray introduced producer-songwriter Ido to Hollywood Records artists Sabrina Carpenter and Bea Miller. As a result, Ido has four songs on Sabrina’s upcoming album and three on Bea’s, including the first single on each. He also introduced producer-songwriter Kid Harpoon to Shawn Mendes. Kid Harpoon now has a song on Shawn’s album, which reached Number 1 on the Billboard charts. Another member of our A&R team, Brandra Ringo, pitched songwriter Sebastian Kole to work with new artist Stanaj. Stanaj later recorded “Ain’t Love Strange,” which Sebastian wrote, and put it out on his first project, released

by Lava/Republic Records. A writing camp that we held for an album by Chris Brown resulted in us placing several songs by our writers on that album. At a recent camp we held for an upcoming Nicki Minaj album, we were able to establish a new working relationship with Nicki and two of our other writers.

26. UMPG has also been instrumental in helping many artist-songwriters obtain record deals by introducing them to our many contacts in the record industry. In fact, on numerous occasions, an artist-songwriter was dropped from a label, signed with UMPG, and after working with a UMPG creative team wrote one or more hits and was able to get a new label deal. By way of example, Skylar Grey was previously known as Holly Brook. She was signed to Warner Bros. and then dropped. After signing with UMPG and working with UMPG's creative team, she achieved success writing singles for Dr. Dre, Eminem, Puff Daddy and T.I. She was ultimately signed to a new record deal with Alex Da Kid's label imprint at Interscope.

27. Sterling Simms was signed to Def Jam as an artist and then dropped. He signed with UMPG shortly after and was soon nominated for a Grammy for writing "Far Away," recorded by Marsha Ambrosius, which led to him signing his second label deal with RCA. Prince Charlez was also signed as an artist at Def Jam and dropped. He recently co-wrote "Needed Me," which became a Number 1 hit for Rihanna, and he just finalized a new record deal with Republic.

28. One important tool for songwriters is the creation of demo recordings. It is imperative that the demo recordings be of the highest quality. Songwriters often market their songs by showing their demos to artists, producers, managers, and record companies, and singer-songwriters use their demos both when seeking a deal from a record company, as well as when promoting their act. We provide our songwriters with substantial resources for recording the

perfect demos. One way we help our songwriters is through the feedback and suggestions of the professional UMPG creative team assigned to the songwriter. We also provide state-of-the-art recording studios and writing rooms to our songwriters.

29. UMPG also promotes its songwriters' works through synchronization licensing. This work is done both for our current songwriters and emerging talent as well as for classic catalog titles. Our Film and Television Department provides creative services, clearance, and synchronization licensing for songs used in films, television programs, commercials, video games, and virtually all other forms of audio-visual use. Our creative executives in London, Los Angeles, Nashville, New York, Paris, and many other international cities leverage their contacts in the motion picture, television, and advertising industries to get songs placed in film, television, and advertising projects. Our website, www.umpg.com, features a phenomenal search engine tool for sifting through our massive song catalog, enabling audio-visual project creators to find the perfect song for their works based on genre, mood, tempo, chart position, lyrical theme, artist, writer, and many other criteria.

30. In many cases, synchronization licenses do more than just earn royalties for a writer. They sometimes draw the attention of record labels to a singer-songwriter whom had previously been neglected. For example, on a trip to Nashville, Frankie Pine, the music supervisor for the television series "Nashville," heard the country music singer-songwriter duo Striking Matches (Justin Davis and Sarah Zimmerman) perform at our studios and decided to use several of their songs on the show. That propelled their career and lead to a record deal with Capitol Records. Similarly, the popularity of A Great Big World (singer-songwriters Ian Axel and Chad King) soared after their song "Say Something" was performed by Christina Aguilera on "The Voice."

31. In other cases, synchronization uses licensed by UMPG have resulted in a resurgence of interest in a song that had slipped from the spotlight, and which ultimately led to increased sales of recordings of the song. Examples include M.I.A.'s "Paper Planes" after its use in "Pineapple Express" trailers; the Dandy Warhols' "We Used to Be Friends" after it was featured as the theme song to the TV show "Veronica Mars"; and perhaps most famously, Feist's "1234" after it was featured in a 2007 Apple iPod nano commercial. (Before the Apple advertisement, the indie-pop songwriter's track was averaging [REDACTED] downloads a week. After the advertisement, average downloads per week improved to around [REDACTED]. This propelled the song onto the U.S. Billboard Hot 100 and to Number 8 on the UK singles chart.)

32. In addition to synchronization licensing, UMPG engages in a host of other licensing activities relating to its writers' works, including mechanical licensing, sample licensing, lyric reprint and sheet music licensing, and, of course, digital licensing. Although performance rights are generally licensed by performing rights organizations or societies ("PROs"), UMPG in some cases also licenses those rights directly.

33. Another one of UMPG's roles is song administration. When one of UMPG's branch offices obtains rights in a song, the branch office inputs writer share, publisher share, and territory of control information (among other information relating to UMPG's rights in the applicable song) into a global song administration database developed by UMPG and utilized by all of UMPG's worldwide offices. The UMPG database also automatically creates electronic song registration files, which are submitted monthly to PROs around the world, including in the United States. In territories where electronic song registrations are not accepted by the relevant PRO, UMPG manually registers the songs with the applicable PRO utilizing the protocol required by that society. UMPG also registers with the PROs its contract summaries, which

contain details about UMPG's new signings, and cue sheets, if required, which help track music used in movies and television.

34. UMPG collects royalties for its songwriters in every country in the world that enforces copyright laws. UMPG has made special efforts to collect royalties in developing market countries, including in Eastern Europe and Asia. After UMPG branch offices have collected royalties in their territories, the London center acts as a royalty clearing house. Once London has processed the royalties for a song, it pays out the royalties to the appropriate branch offices around the world. By centralizing royalty processing in this manner, UMPG is able to maintain a database of global earnings history for every one of its songs.

35. UMPG also provides its songwriters with access to their royalty and copyright information through a secure online web environment, which contains data on royalty history, income trends, and sources of revenue on a global basis, among other figures. We were the first major, global music publisher to provide this service. Additionally, the income tracking departments monitor payments worldwide to verify that all songs on a release are paid at the correct rate and that proper payments are received and credited for performance royalties.

36. UMPG further advances its songwriters' interests by handling copyright-related tasks. This involves, among other things, registering our songwriters' works with the U.S. Copyright Office and monitoring those registrations, and other copyright related tasks such as enforcing and maintaining our ownership claims vis-à-vis other copyright owners. In the United States, UMPG employs approximately ■ employees in its Copyright Department, and ■ employees that administer the copyrights within its Royalty, Income Tracking and Copyright Departments. UMPG also employs approximately ■ employees in its Royalty, Income Tracking and Copyright Departments worldwide.

37. UMPG also monitors online infringement of its songwriters' works and issues DMCA take-down notices. With the help of Universal Music Group's corporate litigation team and outside counsel, UMPG expends significant financial and other resources to deter infringers and protect our songwriters' copyrights. Over the past two years, UMPG has received monies for our songwriters through lawsuits, claims, and settlements from companies such as [REDACTED]

38. During this time of volatility in the music industry, recent events have threatened to diminish the value of our catalog, prompting UMPG to strengthen our efforts in areas such as rate court and consent decree litigation. In these limited areas alone, UMPG has paid approximately [REDACTED] in legal fees to outside counsel.

D. UMPG's Revenues and Costs

39. UMPG's success rises and falls with that of its songwriters. The company's compensation originates from our agreements with our songwriters, which provide for payment to UMPG of a share of the songwriters' royalties in exchange for the services I describe above. In a "traditional" songwriting contract, the songwriter's share of royalties is 50% and the music publisher's share is 50%. However, the "traditional" songwriting contract, as the name would imply, has become far less commonplace these days. It has been replaced with "co-publishing" agreements, where the songwriter's share is usually 75% and the publisher's share is 25%, and "administration agreements," where the songwriter receives 100% of the royalties after the publisher deducts an administration fee of generally [REDACTED], sometimes less. With the exception of the recoupment of the advance paid to the songwriter (discussed below), our agreements generally do not call for significant deductions against the songwriters' royalties, differentiating them from typical agreements between recording artists and record companies,

which usually call for deductions against artist royalties for various costs incurred by the record company like packaging, manufacturing, recording and video costs.

40. Our songwriter contracts typically include an advance payment to the songwriter. An advance is a means to ensure that a songwriter can focus on his or craft rather than having to find other means of support. Advances are critical to enabling songwriters to write full-time as a profession, particularly as it can take a year or two from the time a song is actually created and recorded for it to generate any revenue.

41. The payment of an advance is, of course, a risky endeavor. While UMPG generally expects to recoup the advance from the royalties earned from licenses of the songwriter's works, frequently the royalties earned are less than the amount of the advance, and so UMPG is in many cases never repaid. Nevertheless, UMPG recognizes that the payment of advances is critical to the signing and development of songwriters, and advances constitute a substantial yearly expenditure by UMPG.

42. While we hope that in any given year we will recoup an amount equal or greater than the amount we advanced to songwriters in that year, as further described in the witness statement of UMPG's Executive Vice President - Operations and Chief Financial Officer, Michael Sammis, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

43. Over the past five years, UMPG has spent, on average, approximately [REDACTED] of its yearly revenue on payment of advances to new and existing songwriters each year. [REDACTED]

[REDACTED]

44. In addition to advances, we incur other substantial costs in fulfilling the important roles discussed above. As set forth in greater detail in Michael Sammis' statement, in 2015, [REDACTED]

[REDACTED]

III. The Inadequacy of Current Subpart B & C Mechanical Rates

A. The Shift To Digital Streaming

45. In the past two decades, technology has transformed the way that music reaches the general public. As recently as the first half of the last decade (2000 – 2005), sales of physical albums (generally in the form of compact discs) accounted for an overwhelming majority of mechanical royalties. For a period thereafter, royalties from digital downloads from services like iTunes overtook physical phonorecords as the predominant source of mechanical income paid to publishers and songwriters. In the past few years, however, interactive streaming and limited download services have overtaken the purchase of CDs and permanent downloads to become the primary way in which consumers enjoy music.¹

46. The Digital Services have benefitted tremendously from this massive shift in the industry. Technology giants like Apple and Google, and music-specific services like Spotify, Rhapsody and Pandora, are positioned to benefit greatly from increased consumer demand brought about by major technological changes over the past 15 to 20 years. Those changes include the increased access to high-speed Internet connections and the popularity and now near-

¹ See, e.g., U.S. Copyright Office, Copyright and the Music Marketplace, at 70-72 (Feb. 2015) (discussing “meteoric rise of streaming” which has “corresponded with a sharp decline in physical and digital download sales” which “has been accompanied by a commensurate drop in mechanical revenues for music publishers and songwriters”).

ubiquity of portable devices capable of playing electronic song files. The success of the Digital Services is in no doubt due in part to their own technological investments, market positions, and business savvy, but without our songs as the driving force for growth and consumer interest, the same Digital Services would not have achieved their tremendous success.

47. To consumers, the value of the Digital Services lies in significant part in the on-demand access they provide to our songs. Users are willing to pay Digital Services for on-demand access to the millions of songs that the music publishers and songwriters create and license to these services. Advertisers pay Digital Services to serve targeted advertisements to those users, who are willing to listen to those advertisements only so that they may access those songs.

48. Yet the Digital Services do not adequately compensate songwriters and publishers for the use of their songs. As discussed in the witness statement of Michael Sammis, the mechanical revenues paid by streaming services have not compensated for the loss in mechanical revenues from digital downloads and physical recordings that those services have engendered, and the effective per-stream payments paid to UMPG by certain of the services, particularly Spotify, are shockingly low: [REDACTED] for Spotify's subscription tier and [REDACTED] for its free-to-the-user, "advertiser-supported" tier.

49. Indeed, even when one of our songwriters writes a hit song, he or she often receives a pittance from the Digital Services.

50. "Rolling in the Deep" peaked at Number 1 on the Billboard Hot 100 Chart, was written by Adele and Paul Epworth and performed by Adele, and is controlled [REDACTED] by UMPG. In 2011, before streaming became hugely popular, "Rolling in the Deep" (grossing our [REDACTED] share up to [REDACTED] for comparison purposes) earned less than [REDACTED] in royalties from all

interactive streaming services (for both mechanical and performance rights). It also earned, however, a total of [REDACTED] in mechanical royalties from physical product, and another [REDACTED] from digital downloads.

51. Compare this to a similar hit in 2015. “I Bet My Life,” written and performed by Imagine Dragons, peaked at Number 3 on the Billboard Hot Rock chart. That year, it was streamed over [REDACTED] times on Spotify. We control [REDACTED] of the song (which means we receive [REDACTED] of the publishing royalties -- other than performance royalties, which the writers receive directly from their PROs – and we in turn pay the writers their share). We received a total of [REDACTED] in mechanical royalties from Spotify for those [REDACTED] streams, which we shared with the songwriters. We received an additional [REDACTED] in performance royalties (and the writers would have received roughly the same amount from their PROs). So, for a song that was played over [REDACTED] times on Spotify, Spotify paid UMPG and its songwriters, collectively, roughly [REDACTED]. The total royalties (mechanical and performance) earned by “I Bet My Life” in 2015 from all interactive streaming services (including Spotify) was [REDACTED]. The total mechanical royalties earned by “I Bet My Life” in 2015 from the sale of physical copies and digital downloads totaled just [REDACTED].

52. Similarly, in 2015, “Jealous,” written by Nick Jonas, Sire Nolan and Simon Wilcox and performed by Nick Jonas, peaked at Number 5 on the Billboard Hot 100 chart. We control [REDACTED] of the song, which was streamed on Spotify [REDACTED] times that year. Again, grossing up our one-third to [REDACTED], for nearly [REDACTED] streams of “Jealous,” Spotify paid a total of [REDACTED] in mechanical royalties and [REDACTED] in performance royalties to all publishers and songwriters. The total royalties (mechanical and performance) earned by “Jealous” in 2015 from all interactive streaming services (including Spotify) was [REDACTED]. The total mechanical

royalties earned by “Jealous” in 2015 from the sale of physical copies and digital downloads totaled merely [REDACTED].

53. Compare this to “Baby,” written by Justin Bieber, Christopher Stewart, Terius Nash, Christopher Bridges and Christina Milian, and performed by Justin Bieber, which also peaked at Number 5 on the Billboard Hot 100 chart, but had the good fortune to do so in 2010 rather than in 2015. We control [REDACTED] of the song. Again grossing up to [REDACTED] for comparison purposes, while the song earned roughly [REDACTED] in interactive streaming royalties in 2010 (for both mechanical and performance rights), it also earned a total of [REDACTED] in mechanical royalties from physical product, and another [REDACTED] from digital downloads.

54. These comparisons demonstrate the deleterious effect that interactive streaming has had on the sale of physical product and digital downloads, and on the overall mechanical royalties earned by publishers and songwriters. The royalties paid by the interactive streaming services (taking into account both the mechanical and performance royalties paid) are not making up for the huge loss of mechanical revenue on the sale of physical and digital product.

B. Overview Of The Current Rate and Rate Structure

55. The current rate and rate structure does not fairly compensate songwriters and publishers for their efforts and for the contributions they make to the Digital Services, which are profiting handsomely from those contributions.

56. While the calculations are complex and vary by Subpart B and C Configuration, by way of example, the mechanical royalties to be paid by subscription streaming services are the greatest of (x) the greater of (i) 10.5% of service’s “service revenue” (defined in 37 C.F.R. § 385.11), and (ii) the lesser of a per-subscriber per-month rate and a percentage of the consideration paid by the service to record labels for the right to stream the sound recordings (the

“total content costs” or “TCC” prong), in either case less performance royalties paid by the service; and (y) a mechanical-only per-subscriber per-month minimum.

57. The mechanical royalties to be paid by free, non-subscription advertiser-supported services are the greater of (x) a percentage of the service’s “service revenue,” and (y) a percentage of the consideration paid by the service to record labels for the right to stream the sound recordings, in either case less performance royalties paid by the service.

58. The current rate structure was largely established almost ten years ago. The publishers and songwriters at the time did not know which companies would be providing streaming services, how those companies would operate their streaming businesses, or what effects streaming would have on the sale of physical phonorecords and permanent downloads. Back then, publishers and songwriters frankly had no idea that the companies that would control music streaming would decide against maximizing revenue from streaming in order to benefit their other business interests, and would take other measures that would result in lower rates.

C. The Percentage of Revenue Prong Of The Current Rate Structure

59. The percentage of revenue prong of the current rate structure does not provide songwriters and publishers with sufficient royalties because the Digital Services have apparently made the business decision not to maximize revenues.

60. Apple, Amazon, and Google do not raise the subscription fees for their respective music services because, rather than focus on driving revenue and profits from their music services higher, they appear to be more interested in growing their base of customers to whom they can then market their other products and services. Apple’s streaming service operates as a gateway into the iTunes ecosystem, which Apple uses to sell iPhones, apps, and other products. Amazon, likewise, leverages its streaming service to sell other of its services and products, like its Amazon Prime delivery service and Echo speakers. In fact, Amazon just launched a music

subscription service priced at \$3.99 a month for use on Amazon's voice-activated Echo speakers.² Google, the colossus of the tech world, has many different avenues for monetizing its users' data, including data from its music streaming service. These tech giants are using our music to benefit their non-music commercial ventures, without providing fair compensation to UMPG and its songwriters.

61. Spotify has a similar strategy. It has kept subscription fees low (and, on its free tier, non-existent) and has sold less advertising inventory on its free tier than it can with the apparent goal of obtaining the largest possible user base. A larger user base will increase Spotify's already quite large \$8-plus billion enterprise value, which will inure to the benefit of Spotify and its owners and investors when it completes its (highly-publicized) initial public offering.³ While Spotify's IPO will likely make its owners very wealthy, the songwriters and publishers who have fueled Spotify's rise will not receive any payment from the IPO.

62. I believe that the Digital Services could charge higher subscription fees and host more advertising than they presently do without a loss of net revenue. I understand that Pandora executives have stated that consumers can and would pay more than \$9.99 per month, the current subscription fee for Spotify and Google Play Music, for a music streaming service.⁴ Also, my understanding is that Spotify serves far fewer advertisements on its free, interactive streaming

² See Hannah Karp & Laura Stevens, *Amazon's Music-Streaming Service Competes on Price and Robotic Assistance*, The Wall Street Journal (Oct. 12, 2016), <http://www.wsj.com/articles/new-amazon-music-streaming-service-costs-echo-speaker-owners-4-a-month-1476255600>.

³ Madeleine Johnson, *Is Spotify the Next Big IPO Candidate for 2016?*, Yahoo! Finance (July 18, 2016), <http://finance.yahoo.com/news/spotify-next-big-ipo-candidate-213709655.html>.

⁴ John Paul Titlow, *Inside Pandora's Plan To Reinvent Itself—And Beat Back Apple And Spotify*, Fast Company (Apr. 26, 2016), <https://www.fastcompany.com/3058719/most-innovative-companies/inside-pandoras-plan-to-reinvent-itself-and-beat-back-apple-and-sp>.

service than does broadcast radio.⁵ The Digital Services could increase their music service revenues if they were focused on music service revenues, but they appear to be more intent on focusing on other business interests in which the publishers and songwriters do not and will not share.

63. The Digital Services have also arbitrarily determined a total amount (reportedly, roughly 70% of revenues⁶) that they are willing to pay, in the aggregate, to all music rightsholders – record labels, artists, publishers and songwriters – and, because of the availability of the compulsory license, they pay the labels a far greater share of that “content pool” than they do the publishers and songwriters. I believe that if the Digital Services focused more intently on growing music service revenues and managing internal costs, such as overhead and marketing expenses, they would be able to pay publishers and songwriters at the rates proposed by the Copyright Owners and still be able to keep their total content costs at around 70%, or even be able to exceed that arbitrary threshold so the content owners as a whole receive a larger share of the pie.

D. The Consideration-To-Labels Prong Of The Current Rate Structure

64. One way that the current rate structure was supposed to ensure that the publishers and songwriters would be paid at a fair relative value when compared to payments to labels was the inclusion of the “total content costs” (or “TCC”) prong of the calculation, which requires that

⁵ Audio, Ad Specs, Spotify: For Brands (Mar. 2015) (Spotify serves 4 30-second ads, i.e., 2 minutes of ads, per hour) (CO Ex. 5.5); Bret Kinsella, *Are Broadcast Radio Ad Loads Sustainable?*, XAPP Media (Mar. 24, 2015), <https://xappmedia.com/are-broadcast-radio-ad-loads-sustainable/> (broadcast radio serves 10-14 minutes of ads per hour).

⁶ Sai Sachin R, *Apple to Pay 70 Percent of Music Subscription Revenue to Labels, Publishers*, Reuters (June 15, 2015), <http://www.reuters.com/article/us-apple-music-idUSKBN0OV1VX20150615>; Gabriela Tully Claymore, *Spotify Explains Royalty Payments*, Stereogum (Dec. 3, 2013), <http://www.stereogum.com/1587932/spotify-explains-royalty-payments/news/>.

the Digital Services pay licensors of musical works, at a minimum, a fixed percentage of the amounts paid to record labels for the sound recording rights. Unfortunately, this basis for calculating rates has proven problematic and has not resulted in adequate compensation for songwriters and publishers.

65. One primary reason is that the statute caps the amount calculated under the TCC prong by making the calculation the “lesser of” the TCC percentage share and a per-subscriber per-month minimum (*e.g.*, in the case of standalone portable services, \$0.80 per subscriber per month). This rate cap structure unfairly limits the potential upside for publishers and songwriters, even, for example, in instances where the Digital Service enjoys higher margins because of increased retail pricing or where the labels enjoy escalated rates.

66. Moreover, I do not believe Digital Services include all of the consideration that they pay to the labels in the calculation of mechanical royalties payable to songwriters and publishers. For example, I believe that in cases where Digital Services have provided the labels with equity, they have not included this consideration when calculating the rate owed to songwriters and publishers, even though under 37 C.F.R. §§ 385.13 and 385.23 the amount of consideration paid to the record labels is considered “applicable consideration,” which is defined as “anything of value given for the identified rights to undertake the licensed activity” and expressly includes “ownership equity.” *See* 37 C.F.R. §§ 385.11 and 385.21.

E. The Digital Services Do Not Accurately Account And Pay

67. Additionally, a global problem that affects the calculation of royalties both under the consideration paid to the labels prong and the percentage of revenue prong of the existing rate structure is that the Digital Services do not pay songwriters and music publishers the total amount owed, and at times they pay the wrong entity. While the Digital Services blame incomplete copyright ownership data for these payment shortcomings, the law imposes the

obligation of determining copyright ownership on the services, not on the copyright owners. A licensee must obtain a license prior to making and distributing phonorecords. *See, e.g.*, 17 U.S.C. § 115(b)(2). It cannot make and distribute phonorecords with the hope of sorting out the licensing issues later. Moreover, in my experience I have seen that the source of the “data problems” lies not with the publishers, but instead at the Digital Service level because of poor data management practices, bad data merges once clean data is ingested by the Digital Services, and sloppy practices maintained by third party vendors to whom the Digital Services outsource the responsibility of matching publishing data to usage within the Digital Services concerned. So, placing the blame on publishers for “bad data” is a flawed argument to begin with, but at any rate does not absolve Digital Services of responsibility for making conscious decisions to use content that they know is unmatched (which, in many if not all instances, means the content is unlicensed).

F. Per-User Rate

68. For subscription streaming services, under the current rate structure, the applicable royalty rate can be based on the number of the Digital Service’s subscribers in a particular accounting period. Unlike the percentage of revenue and the capped TCC prong, the per-subscriber prong in the current structure is useful and should be maintained. Indeed, a per-subscriber or per-user royalty – provided it is set at an adequate level – serves several useful purposes.

69. First, it is the interest of most Digital Services to build a user or a subscriber base, even for those who have chosen to pursue other interests over maximizing revenue. Thus, a per-subscriber or per-user royalty ensures that, at least as to one of the prongs of the royalty calculation, the interests of the licensors and licensees are aligned. Second, there may be circumstances where there is a low level of streaming on a particular Digital Service, but the

Digital Service is still benefiting in other ways from the value derived from the provision of access to our music catalogs. Third, there may be circumstances where users convert interactive streams or limited downloads into permanent downloads or otherwise circumvent the Digital Service's ability to track individual interactive streams or plays of limited downloads, in which case the licensor will not be paid for them under either a per-play calculation or a revenue allocation calculation.

70. While I believe it is important to retain in the rate structure a per-subscriber or per-user minimum, the current per-subscriber minimum is, in my view, too low. In fact, as noted below, we have made a direct deal with one Digital Service that includes a higher per-subscriber minimum.

G. The Current Rate Structure's Detrimental Impact On Publishers and Songwriters

71. Consumers' growing preference for streaming music platforms over physical phonorecords and permanent downloads has made those platforms all the more significant as a source of revenue for the songwriting and music publishing industry. Yet, the Digital Services' business practices discussed above greatly reduce royalties payable to songwriters and music publishers under the current rate structure, so even if music consumption through streaming music platforms increases, it cannibalizes other music consumption outlets that have historically yielded a much higher return for songwriters and publishers.

72. The effect on the songwriting and music publishing industry has been quite unfavorable. As more fully set forth in the statement of Michael Sammis, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

73. As noted above, the current rate structure has also resulted in strikingly low payments to songwriters for even the biggest of hits. Those songwriters and their publishers have suffered economically because of this.

IV. UMPG's Direct Licensing

74. Direct deals are attractive to the Digital Services notwithstanding the availability of the compulsory license because they enable the Digital Services to dispense with various statutory requirements that would otherwise apply to their licensing. Those requirements include the “notice of intent” provisions in 17 U.S.C. § 115(b), which require the licensee to identify the copyright owner and serve the owner with a notice of intention to obtain a compulsory license prior to making or distributing any phonorecords of the owner’s work, or file the notice with the Copyright Office if the service is unable to determine the owner and owner’s address from the Copyright Office’s records. Failure to follow these steps forecloses the possibility of a compulsory license and renders the service liable for infringement. 17 U.S.C. § 115(b)(2). The statute also, among other things, requires the services to make monthly accountings of royalties owed. *Id.* § 115(c)(5). By entering into a direct deal with UMPG, the services avoid having to follow the notice of intent requirements altogether, are shielded from section 115(b)(2)’s infringement liability provision, and generally do not have to make monthly accountings.

75. UMPG also has incentives to make direct deals. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

A. Direct Licensing In The Shadow of the Compulsory License.

76. UMPG has made deals with several Digital Services making and distributing interactive streams and/or limited downloads (and other Subpart B & C Configurations). [REDACTED]

77. The Digital Services with which we have entered into direct licenses [REDACTED] for interactive streaming and limited download services (*i.e.*, Subpart B services) include [REDACTED].⁷

78. In our direct deal with [REDACTED] for its interactive streaming service, which we made on [REDACTED], we negotiated a royalty [REDACTED]

⁷ CO Ex. 5.1, [REDACTED]; CO Ex. 5.2, [REDACTED]; CO Ex. 5.3, [REDACTED]; CO Ex. 5.4, [REDACTED]; CO Ex. 5.5, [REDACTED]; CO Ex. 5.6A, [REDACTED]; CO Ex. 5.6B, [REDACTED]; CO Ex. 5.7, [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]⁸

79. The agreements we have made with Subpart B services that would be considered “bundled subscription services” under 37 C.F.R. § 385.13(a)(4) are [REDACTED]

[REDACTED] The challenge with bundled services – faced by both licensors and licensees – is how to determine what revenues are attributable to the subscription music service and what revenues are attributable to the other products or services in the bundle. I understand that some bundled subscription services, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

80. For this reason, when we made our direct deal with [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁸ CO Ex. 5.8, [REDACTED]

[REDACTED].

[REDACTED]⁹ [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

81. We encountered a similar issue with [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] We also
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]¹⁰

⁹ CO Ex. 5.9, [REDACTED]
[REDACTED].

¹⁰ CO Ex. 5.1, [REDACTED]; CO Ex. 5.10, [REDACTED]
[REDACTED].

82. We have also entered into direct licenses [REDACTED] for the following Subpart C services: [REDACTED]

[REDACTED]

[REDACTED]¹¹ Our deal with [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]¹²

83. Note that, although there is no obligation under the statute to pay an advance, we received advances or minimum revenue guarantees from [REDACTED]
[REDACTED].¹³ The level of these advances and minimum guarantees in many instances exceed actual royalties that would have been earned out

¹¹ CO Ex. 5.1, [REDACTED]; CO Ex. 5.11, [REDACTED]
[REDACTED]; CO Ex. 5.4, [REDACTED]
[REDACTED]; CO Ex. 5.12, [REDACTED].

¹² CO Ex. 5.3, [REDACTED].

¹³ CO Ex. 5.9, [REDACTED]; CO Ex. 5.2, [REDACTED]; CO Ex. 5.3, [REDACTED]
[REDACTED]; CO Ex. 5.4, [REDACTED]; CO Ex. 5.5, [REDACTED]; CO Ex. 5.13, [REDACTED]; CO
Ex. 5.14, [REDACTED].

under the current statutory rate structure, which pushes our “effective rate” beyond what is prescribed in the statute.

B. Direct Licensing Outside Of The Shadow of the Compulsory License

84. While we are not mandated to license any digital service that is not subject to compulsory licensing provisions, UMPG has negotiated hundreds of licenses with non-compulsory digital services.

85. From UMPG’s perspective, it is important that we foster a robust and competitive digital ecosystem, allowing new digital initiatives to come to market and provide consumers with a variety of options to consume music. Neither UMPG nor our songwriters make money if we do not broadly license our music, so we have a clear incentive to do so. Moreover, we compete vigorously with other music publishers to sign songwriters. Many songs are co-written, and if a UMPG writer’s royalty statement reflects that he or she received less money for his or her share of a song co-written with a writer signed to a different publisher (because that publisher licensed a particular platform but we did not), our writer may be critical of us. It is also our duty to seek fair value for the use of our songwriters’ works.

86. Thus, we have been able to make deals licensing our catalog to digital services offering video, videogames, karaoke, lyric notation, sheet music and music instructional concepts, whether accessible through mobile apps, stand-alone kiosks or websites.

87. In many of these deals, where we are licensing our musical works to services that are also licensing sound recordings from record labels, we are paid at the same royalty rate as the record labels. This is consistent with what has historically been the case with synchronization licensing, where each of the publisher and record label generally receives 50% of the total content licensing pool. That makes sense because in both situations the publisher and label are

each licensing an input to a third party – *i.e.*, the third party must obtain a license from the publisher for the song, and a license from the label for the sound recording – in a free market where there is no compulsory license to depress the rate obtainable by one or the other licensor.

88. For example, we entered into a direct license with [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]¹⁴

89. As examples of [REDACTED], we have reached license agreements with [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]¹⁵ While the economic models for each of these games are

¹⁴ CO Ex. 5.15, [REDACTED].

¹⁵ CO Ex. 5.16, [REDACTED]; CO Ex. 5.17, [REDACTED]; CO Ex. 5.18A, [REDACTED]; CO Ex. 5.18B, [REDACTED]; CO Ex. 5.18C, [REDACTED]; CO Ex. 5.19, [REDACTED].

different due to their unique business models, all of these licenses contain a most favored nations provision that ensures our royalties are computed on the same basis as any other participating publisher or label. The presence of such most favored nation provisions in these agreements shows that these licensees consider the musical work to have the same value as the sound recording.

90. The same is true for our deals with [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

Each of these agreements includes an MFN provision requiring the label and publisher royalties to be computed in the same manner and at the same headline rates.¹⁶

91. We have also entered into “microsynch” deals pursuant to which our licensees agreed to pay us at the same rate it pays record labels for the sound recording rights. One such example is with [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. We and Universal Music Group (“UMG”) made a similar “microsynch”

¹⁶ CO Ex. 5.20, [REDACTED]
[REDACTED]; CO Ex. 5.21, [REDACTED].

agreement with [REDACTED] which ensures that we and UMG (a record label) are each paid the same amount of consideration.¹⁷

92. In situations where there the Digital Service does not need to obtain sound recording licenses – *e.g.*, digital karaoke licenses (where the karaoke company records its own masters), or lyric, sheet music, or guitar tablature licenses – we usually receive far greater than 10.5% of revenue. Indeed, in many cases, we receive closer to [REDACTED] of revenue.

93. For example, with digital sheet music licenses it is common for the publisher to receive [REDACTED] of the gross revenues. For instance, our agreement with [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]¹⁸

94. As an example of lyric display licenses, we have a deal with [REDACTED]

[REDACTED]
[REDACTED]

¹⁷ CO Ex. 5.22, [REDACTED]
[REDACTED]; CO Ex. 5.23, [REDACTED]
[REDACTED]; CO Ex. 5.24, [REDACTED].

¹⁸ CO Ex. 5.25, [REDACTED]
[REDACTED]; CO Ex. 5.26, [REDACTED].

[REDACTED]¹⁹

95. Additionally, we have agreements with the instructional music services [REDACTED]

[REDACTED] In each of these deals, the royalty rate was [REDACTED] of receipts [REDACTED].²⁰ While no master recordings are used in these examples, there is a high production cost for the creation of the instructional videos (*i.e.*, compensating the on-screen talent, camera crew, etc.).

96. We also have a wide variety of digital karaoke licenses allowing consumers to stream on-demand karaoke versions of UMPG songs (*i.e.*, not record label recordings, but re-recordings by karaoke studio musicians, with scrolling lyrics), such as those we have made with [REDACTED]. In each of these deals we have received our pro rata share of between [REDACTED] of the service's gross revenues [REDACTED]

¹⁹ CO Ex. 5.27, [REDACTED]

²⁰ CO Ex. 5.28, [REDACTED]

[REDACTED]; CO Ex. 5.29, [REDACTED]

[REDACTED]²¹

97. In many of the above-referenced deals, we also received advances or minimum guarantees.

98. I believe that the digital deals we have made outside of the shadow of the compulsory license and that are described above are free market deals that reflect what the parties believed at the time to provide both a fair return for UMPG and its songwriters and a fair income to the digital service.

99. Our deal with the user-generated video service [REDACTED] also demonstrates the value assigned to sound recordings and musical compositions outside of the context of the compulsory license. We licensed to [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

²¹ CO Ex. 5.30, [REDACTED]
 [REDACTED]; CO Ex. 5.31, [REDACTED]
 [REDACTED]; CO Ex. 5.32,
 [REDACTED]; CO Ex. 5.33,
 [REDACTED]; CO Ex. 5.34, [REDACTED]
 [REDACTED]; CO Ex. 5.35,
 [REDACTED]
 CO Ex. 5.36, [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

100. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

101. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

102. [REDACTED]

[REDACTED]

²² CO Ex. 5.37, [REDACTED].

²³ *See, e.g.*, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] This, too, puts us at a disadvantage and leaves us with little recourse.

V. Conclusion

103. Based on the considerations above, I strongly believe that adopting the Copyright Owners' proposed rates and terms is integral for the health of the songwriting and publishing industries and would advance the statutory factors set forth in section 801(b)(1).

104. Songwriters clearly play an integral role in the music ecosystem. A fair royalty rate for songwriters is necessary to achieve the section 801(b)(1) factors. Songwriters will not

create new works, and cannot be expected to do so, without fair compensation. (§ 801(b)(1) factors (A) and (B).) Companies that operate Digital Services, most of which are flourishing (despite their decisions to focus on customer acquisition, stock price, attracting new investments, or exit strategy, as opposed to music service revenue generation), would not exist but for the contributions of songwriters. (§ 801(b)(1) factor (C).) Failure to pay adequate compensation to songwriters has a disruptive impact on the industry by forcing many songwriters out of work.

105. On the other hand, existing Digital Services have paid effective per stream rates at levels that are consistent with the Copyright Owners' proposed rates. For example, for individual subscriptions, Apple has paid UMPG an average effective mechanical per stream rate of approximately [REDACTED] (from 4Q15 through 2Q16). The average effective mechanical per stream rate paid by Amazon has been roughly [REDACTED] (from June 2014 through January 2016). Google has paid an even higher effective mechanical per stream rate of [REDACTED] (from 3Q13 through 2Q15). Rhapsody has paid an effective mechanical per stream rate of [REDACTED] (from 3Q12 though 2Q15) for its portable subscription tier and [REDACTED] for its all-access tier. New Digital Services companies are rushing to enter into this market, and venture capitalists are making significant investments in such services. This demonstrates that neither the current rates nor the Copyright Owners' proposed rates are or would be disruptive. (§ 801(b)(1) factor (D).)

106. Music publishers must also be fairly compensated for the value they bring to the industry and the risks and costs they assume, as detailed above. Through such services, publishers help to maximize the availability of creative works to the public (§ 801(b)(1) factor (A)), and they should be compensated in a manner that affords them a fair return for their talents, costs, and risks assumed, and that reflects their contributions in making songs available to the

public through digital music services (§ 801(b)(1) factors (B) and (C)). Moreover, inadequate rates disrupt publishers' ability to provide these services to songwriters. (§ 801(b)(1) factor (D)).

107. I believe that songwriters and publishers are not adequately compensated under the current rate structure. As the handful of examples I have included in this statement suggest, songwriters receive inadequate compensation from the Digital Services even when they write hits that are streamed tens of millions of times. Part of the problem is structural: rates that are tied to the Digital Services' revenue and consideration paid to the record labels turn out to be too low because the Digital Services forego maximizing subscription fees or advertising revenue, fail to account properly for certain forms of consideration paid to record labels such as equity, and other issues I have identified. Including a per-play royalty as part of the rate calculation will help rectify the inadequacies of the current rate structure, as will raising the per-subscriber minimum and extending such minimum to include users of advertising-supported services.

108. The rates proposed by the Copyright Owners will, I believe, afford the songwriters and publishers with a fair return for their creative works and provide the Digital Services with a fair income. The proposed per play rate is consistent with what many of the Digital Services have already paid, and the other proposed rates and terms are supported by market-based transactions made outside of the context of the compulsory license.

109. For these reasons, I strongly urge the Board to adopt the rates and terms that the Copyright Owners have proposed.

I declare under penalty of perjury that the foregoing testimony is true and correct to the best of my knowledge, information and belief.

Dated: October 28, 2016

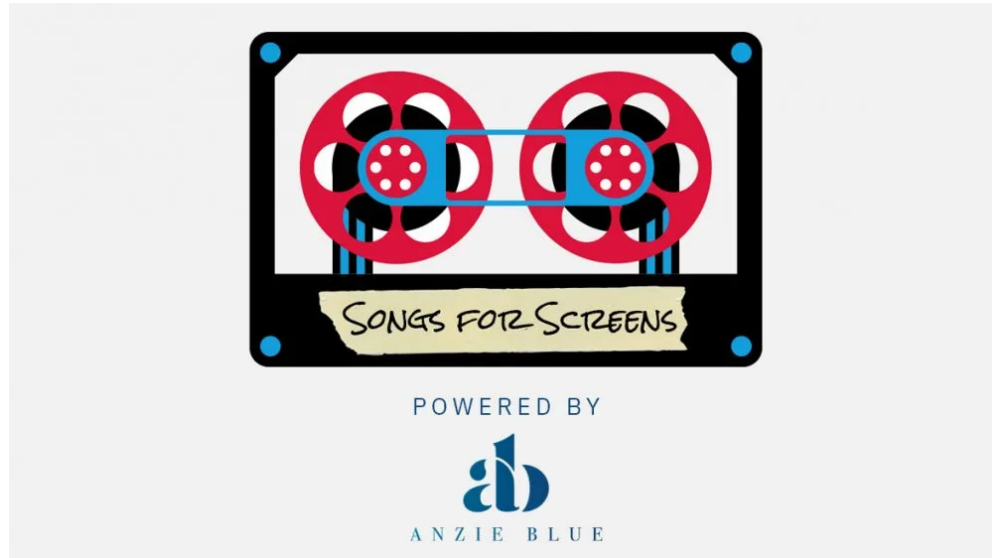
A handwritten signature in black ink, appearing to read 'David Kokakis', written over a horizontal line.

David Kokakis

COEX-5.2

Songs For Screens: Anna of the North Talks Netflix, 'Dream Girl' Apple Spot

Plus Icon



Variety

Even in a pandemic, the impact of an [Apple](#) commercial in boosting a song's streams and overall good fortune remains virtually unrivaled.

The latest benefactor? Norwegian pop singer-songwriter Anna Lotterud, a.k.a. [Anna of the North](#), whose 2019 single "Dream Girl" has seen a surge in streaming activity since it began appearing as the score for Apple's iPad Pro campaign, "Float." The commercial has aired frequently on national prime-time and cable TV, totaling over \$10.9 million in estimated media spend and over 336 million TV impressions through May 13, according to iSpot.TV.



**COEX-
5.2**

In the first two weeks since the campaign's premiere on April 18, streams for "Dream Girl" leapt 202% on Apple Music and doubled on Spotify, while Shazam activity increased by 1,000% and single-week sales surged 999% in the U.S. alone. That growth has continued in the past week, with total consumption for the track up 12% from May 8 to May 11, according to Nielsen Music.

Such a ripple effect is familiar territory for Lotterud, who [helped write the playbook for Netflix sync success](#) when her song "Lovers" was featured during a pivotal scene in the streaming service's wildly popular "To All the Boys I've Loved Before" rom-com in 2018. Though Lotterud had developed a cult Stateside following for her collaborations with artists like Tyler, the Creator, the exposure from the [Netflix](#) sync helped her secure her first-ever U.S. tour and paved the way for subsequent treks with LANY and a headline run that just wrapped prior to the global quarantine.

Still, the Oslo-based Lotterud was blissfully unaware that the Apple campaign even existed until her fans began alerting her to it. "I'm in Norway with no television and not the same programs as the U.S., so I wouldn't have seen it," Lotterud says. "Suddenly people started tweeting about how I was in this Apple ad, and then I had to figure out if it was true or not. It's so hard to be a musician these days, and there's so many talented people out there, so a spotlight like that is culturally important. It's really exciting."

Songs for Screens caught up with Lotterud to learn more about the early impact she's seen from the Apple campaign while quarantining at home, as well as another surprise sync for Anna Of The North's "Playing Games" during the premiere of Netflix's "Never Have I Ever." The conversation has been edited for length and clarity.

**COEX-
5.2**

Songs For Screens: You said you didn't know the Apple campaign was in the works, did you know about Netflix's use of "Playing Games" prior to its debut?

I had no idea — the Internet, the fans let me know. Suddenly someone posted to me, "Oh your music is on this new Netflix series."

Given how coveted these types of opportunities are by artists, would you like to have been prepared?

As I think about it, I'd probably want to be surprised [rather than waiting to find out if hers was chosen from a long list of songs by other artists]. I don't know if I could deal with, "Oh, are you gonna get the spot or not?" instead of just knowing when it happens. Maybe it's better to just be surprised.

How do you measure the impact of such a big moment like an Apple campaign when you can't go out in the real world or tour right now?

Well with "To All the Boys I Loved Before," I had reached a whole new fanbase already, a whole new group of people that I would have never reached on my own. There's just so much good music out there, but if people don't hear it, then how are they gonna know it exists? That's the really cool thing about it, is reaching people that would be so hard to reach on your own.

How has your productivity been during quarantine? Are you writing new music?

I've been writing a lot of music, or trying to. I haven't been that much outside my house, to be honest. I've been working out and I haven't been drinking, so I feel quite healthy. I think coronavirus is awful, and I know it sounds weird, but I think it's been really good for me to be at home and take things slowly and not feel bad about it. I feel like I am personally in a way better place now than I was after my tour. When the tour ended, I was exhausted and if corona didn't happen I would keep going and doing stuff.

What initially inspired "Dream Girl," and does the context fit within the Apple ad?

That song was written at a time in my life where I had had this

COEX-**5.2**

relationship, and we were on and off and back and forth. I never got the approval from him that I needed or that you would get from a healthy relationship. So, I think the entire “Dream Girl” album was kind of inspired by how that relationship was really important for me. I needed to understand how to rely on myself and be more self-confident. I had to find that strength in myself and that’s what “Dream Girl” meant to me. It’s also ironic in a way, in that it’s fun and all the mixed feelings I felt, being sad and miserable. Maybe it’s good to feel like this because sometimes when you experience stuff like this you go into survival mode. You use or find corners yourself that you’ve never seen before.



So that’s what “Dream Girl” is. A dream girl doesn’t exist, but the point is to be your own dream girl, or to be one for someone. Because nothing is perfect and you will never be perfect, but you can be perfect for yourself in a way. So I wrote a lot of music about that, and the whole “Dream Girl” girl album is about trying to find that happiness in yourself.

I don’t know how that connects with the Apple spot in a way, but the iPad is a tool to be creative, it’s a dream tool. “Dream Girl” is fun, but it’s also melancholy and it’s sad. It’s all the feelings.

[Songs For Screens](#) is a Variety column sponsored by [Anzie Blue](#), a wellness company and café based in Nashville. It is written by Andrew Hampp, founder of music marketing consultancy 1803 LLC and

COEX-
5.2

former correspondent for Billboard. Each week, the column highlights noteworthy use of music in advertising and marketing campaigns, as well as film and TV. Follow Andrew on Twitter at @ahampp.

optional screen reader

COEX-5.3

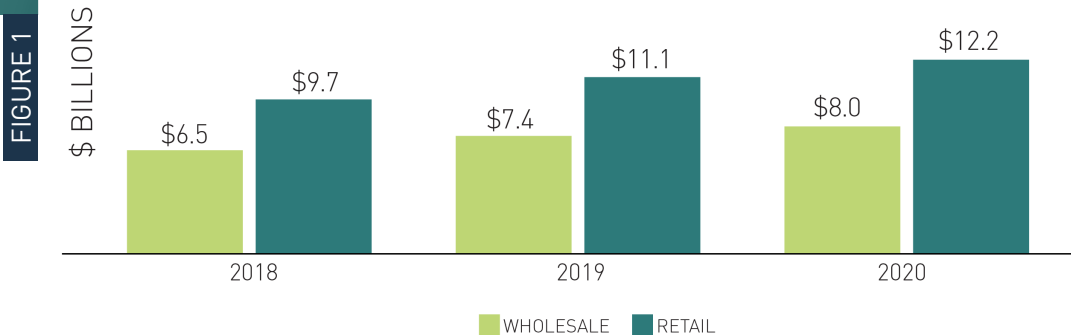
YEAR-END 2020 RIAA REVENUE STATISTICS

Joshua P. Friedlander | Senior Vice President, Research and Economics, RIAA

United States recorded music revenues grew 9.2% in 2020 to \$12.2 billion at estimated retail value. This is the fifth consecutive year of growth for the industry, as paid subscription services continued to be the primary driver of revenue increases, and reached a record number of subscriptions. Covid-19 affected the industry significantly through tour cancellations, retail store closures, and other disruptions. Revenues from recorded music measured at wholesale value grew 8.9% to \$8.0 billion.

U.S. MUSIC INDUSTRY REVENUES

Source: RIAA

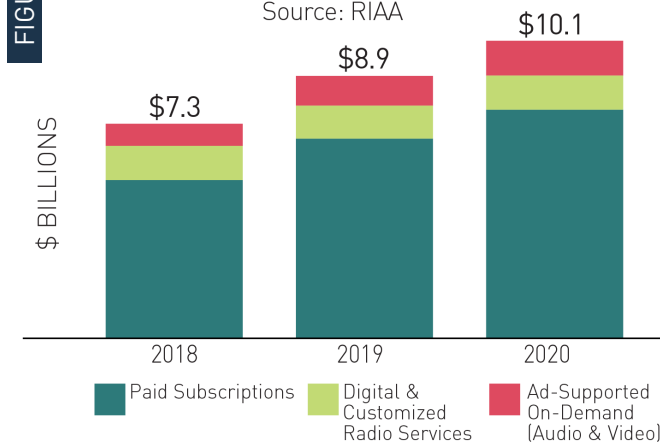


Streaming

Encompassing a wide range of services, streaming music revenues grew 13.4% to \$10.1 billion in 2020. This category includes paid subscription services like Spotify, Apple Music, and Amazon Music Unlimited, ad-supported on-demand services such as Vevo, YouTube and the free version of Spotify, and digital and customized digital radio like Pandora, SiriusXM, and other Internet radio services. The streaming category for the first time includes music license revenues from Facebook and streaming fitness services (included for 2019 data as well). Streaming's share of total revenues has continued to grow, reaching 83% in 2020.

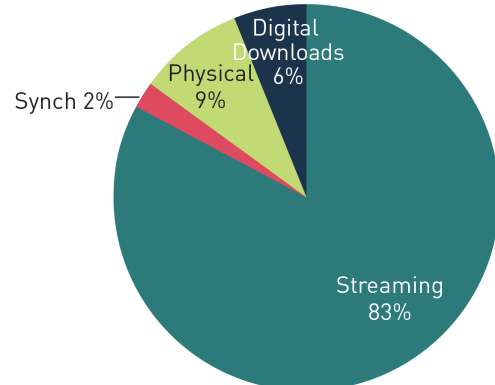
U.S. MUSIC INDUSTRY STREAMING REVENUES

Source: RIAA



U.S. MUSIC INDUSTRY REVENUES 2020

Source: RIAA



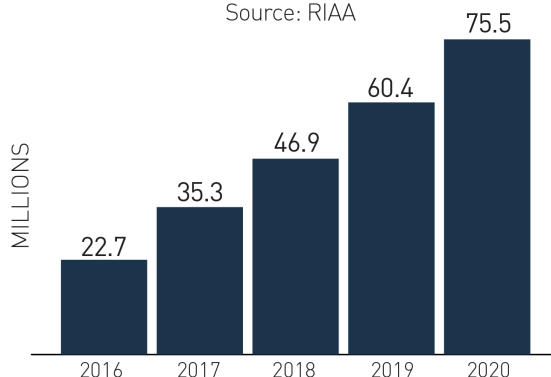
Paid subscriptions to on-demand streaming services have contributed the majority of recorded music revenues each year since 2018. In 2020, full service paid subscriptions grew 14.6% to \$7.0 billion. Additionally, limited tier paid subscriptions (services limited by factors such as mobile access, catalog availability, product features or device restrictions) grew 13.4% to \$724 million. Services like Amazon Prime, Pandora Plus, music licenses for streaming fitness services, and other subscriptions are included in this category. Combined, total paid subscriptions accounted for 64% of total revenues at estimated retail value.

The number of paid subscriptions to on-demand streaming services continued to increase at double-digit rates in 2020. The average number of subscriptions grew by 15 million from 60.4 million in 2019 to 75.5 million in 2020, the biggest ever increase in a single year. These figures exclude limited-tier services, and count multi-user plans as a single subscription.

FIGURE 4

U.S. PAID MUSIC SUBSCRIPTIONS (ANNUAL AVERAGE)

Source: RIAA



A broad post-Covid-19 decline in advertising revenue growth across many forms of media impacted ad-supported on-demand revenues for music. Revenues from these services (such as YouTube, the free version of Spotify, and Facebook) grew 16.8% annually to \$1.2 billion in 2020, compared with an average of nearly 30% growth rate in the 3 years prior. The volume of music streams on these services continued to grow, with hundreds of billions of streams delivered to more than 100 million listeners in the United States, but only contributed 9.7% of revenues.

Revenues from digital and customized radio services grew 3.9% to \$1.2 billion in 2020. The category includes SoundExchange distributions for revenues from services like SiriusXM and Internet radio stations, as well as payments directly paid by similar services, included in this report as "other ad-supported streaming". SoundExchange distributions of \$947 million were up 4.3% versus the previous year, while other ad-supported streaming revenues of \$211 million were up 1.9%.

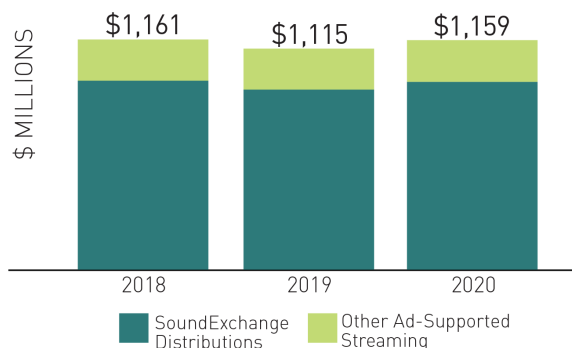
Digital Downloads

Revenues from digitally downloaded music were down 18% to \$674 million in 2020. Permanent downloads of albums fell 13% by value to \$320 million, and individual track sales were down 23% to \$313 million in 2020. Downloads accounted for only 6% of total recorded music revenues in 2020.

FIGURE 5

U.S. DIGITAL AND CUSTOMIZED RADIO REVENUES

Source: RIAA



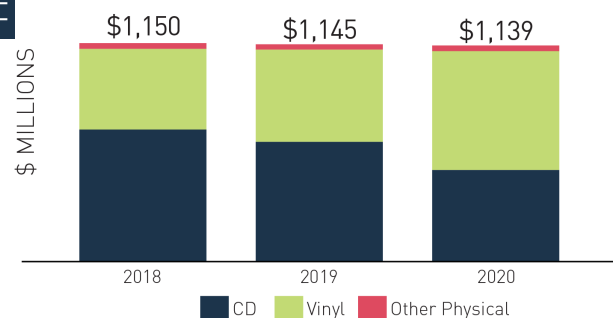
Physical Products

For the first time since 1986, revenues from vinyl records were larger than from CDs. Total revenues from physical products were virtually flat at \$1.1 billion (down 0.5%). Despite the challenges to retail sales from Covid-19 restrictions, vinyl grew 28.7% by value year-over-year to \$626 million, though still only account for 5.2% of total revenues by value. Revenues from CDs declined 23% to \$483 million, continuing a long-term decline.

FIGURE 6

U.S. PHYSICAL FORMAT RECORDED MUSIC REVENUES

Source: RIAA



PLEASE READ THE COMMENTARY OF MITCH GLAZIER, CHAIRMAN AND CEO, HERE: [MEDIUM.COM/@RIAA](https://medium.com/@riaa)

NOTE – Historical data updated for 2016 - 2019, including updated revenue accounting standards starting in 2016. Formats with no retail value equivalent included at wholesale value. RIAA presents the most up-to-date information available in its industry revenue reports and online statistics database: <https://www.riaa.com/u-s-sales-database>

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YEAR-END 2020

RIAA MUSIC REVENUE STATISTICS

United States Estimated Retail Dollar Value (In Millions, net after returns)

DIGITAL SUBSCRIPTION & STREAMING

	2019	2020	% CHANGE 2019-2020
(Units) (Dollar Value)			
Paid Subscription¹	60.4 \$6,115.2	75.5 \$7,009.2	25.0% 14.6%
Limited Tier Paid Subscription²	\$638.2	\$723.6	13.4%
On-Demand Streaming (Ad-Supported)³	\$1,013.1	\$1,183.1	16.8%
SoundExchange Distributions⁴	\$908.2	\$947.4	4.3%
Other Ad-Supported Streaming⁵	\$207.3	\$211.2	1.9%
Total Streaming Revenues	\$8,882.0	\$10,074.5	13.4%

DIGITAL PERMANENT DOWNLOAD

(Units) (Dollar Value)			
Download Single	329.7 \$408.4	257.2 \$312.8	-22.0% -23.4%
Download Album	37.5 \$368.8	33.1 \$319.5	-11.7% -13.4%
Ringtones & Ringbacks	8.3 \$20.6	8.1 \$20.2	-1.9% -1.9%
Other Digital⁶	1.8 \$25.0	1.6 \$21.9	-12.9% -12.4%
Total Digital Download Revenues	\$822.7	\$674.4	-18.0%

TOTAL DIGITAL VALUE

	\$9,704.7	\$10,749.0	10.8%
Synchronization Royalties⁷	\$281.1	\$265.2	-5.6%

PHYSICAL

(Units Shipped) (Dollar Value)			
CD	47.5 \$630.7	31.6 \$483.3	-33.6% -23.4%
LP/EP	18.5 \$479.5	22.9 \$619.6	23.6% 29.2%
Music Video	1.3 \$25.8	1.0 \$27.4	-20.9% 6.2%
Other Physical⁸	0.4 \$8.5	0.5 \$8.8	24.0% 3.1%
Total Physical Units	67.7	55.9	-17.4%
Total Physical Value	\$1,144.6	\$1,139.1	-0.5%

TOTAL DIGITAL AND PHYSICAL

Total Units⁹	445.0	355.9	-20.0%
Total Value	\$11,130.4	\$12,153.4	9.2%
% of Shipments¹⁰			
Physical	2019 11%	2020 10%	
Digital	89%	90%	

Retail Value is the value of shipments at recommended or estimated list price
Formats with no retail value equivalent included at wholesale value

Note: Historical data updated for 2019

¹ Streaming, tethered, and other paid subscription services not operating under statutory licenses

Subscription volume is annual average number of subscriptions, excludes limited tier

² Paid streaming services with interactivity limitations by availability, device restriction, catalog limitations, on demand access, or other factors

³ Ad-supported audio and music video services not operating under statutory licenses

⁴ Estimated payments to performers and copyright holders for digital and customized radio services under statutory licenses

⁵ Revenues for statutory services that are not distributed by SoundExchange and not included in other streaming categories

⁶ Includes Kiosks, music video downloads, and starting in 2016 other digital music licensing

⁷ Includes fees and royalties from synchronization of sound recordings with other media

⁸ Includes CD Singles, Cassettes, Vinyl Singles, DVD Audio, SACD

⁹ Units total includes both albums and singles, and does not include subscriptions or royalties

¹⁰ Synchronization Royalties excluded from calculation

Permission to cite or copy these statistics is hereby granted, as long as proper attribution is given to the Recording Industry Association of America.

COEX-5.4

News and Notes on 2016 RIAA Shipment and Revenue Statistics

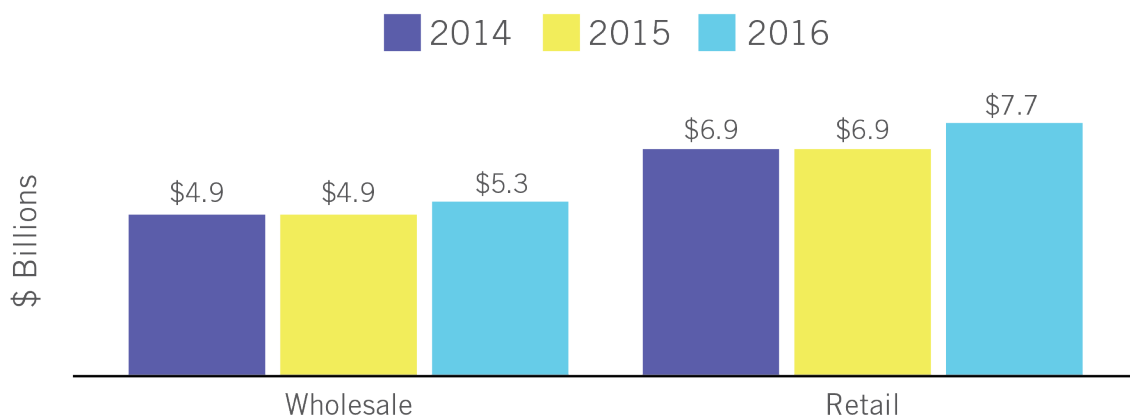
Joshua P. Friedlander | Senior Vice President, Strategic Data Analysis, RIAA

Estimated retail revenues from recorded music in the United States grew 11.4% in 2016 to \$7.7 billion. The primary driver of that growth was a doubling of paid streaming music subscriptions which helped the American music business experience its biggest gain since 1998. At wholesale values, the industry was up 9.3% to \$5.3 billion. Although our 2016 revenue report catalogues substantial overall improvement for the industry, revenues are still only about half what they were in 1999, and revenues from more traditional unit-based sales (physical products and digital downloads) continued to decline significantly.

Figure 1

U.S. Music Industry Revenues

Source: RIAA



STREAMING

In 2016, for the first time ever, streaming music platforms generated the majority of the U.S. music industry's revenues. The streaming category includes revenues from subscription services (such as paid versions of Spotify, TIDAL, and Apple Music, [among others](#)), streaming radio services including those revenues distributed by SoundExchange (like Pandora, SiriusXM, and other Internet radio), and ad-supported on-demand streaming services (such as YouTube, Vevo, and ad-supported Spotify).

Total revenues from streaming platforms were up 68% to \$3.9 billion. Streaming grew from just 9% of the market in 2011 to 51% of total industry revenues in 2016.

Figure 3

Proportion of Total U.S. Music Revenues From Streaming

Source: RIAA

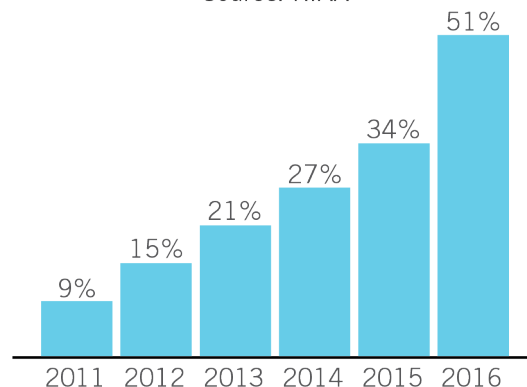
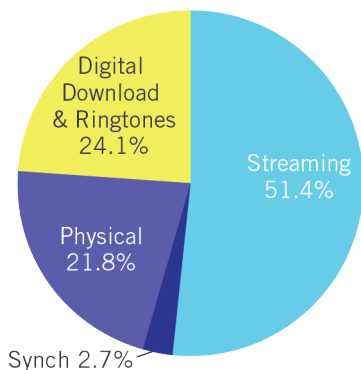


Figure 2

U.S. Revenues 2016

Source: RIAA

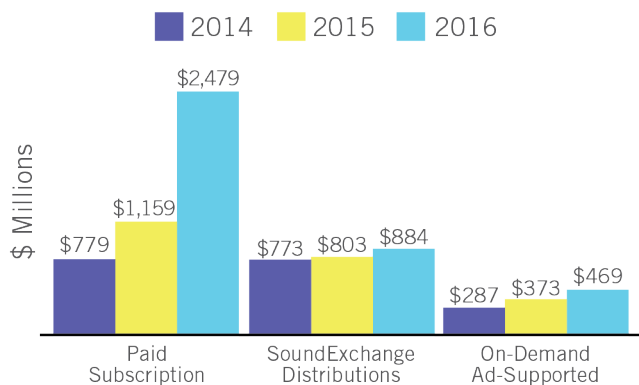


Revenues grew across all the categories of streaming (paid subscriptions, SoundExchange distributions, and on-demand ad-supported streams).

Figure 4

U.S. Streaming Music Revenues

Source: RIAA

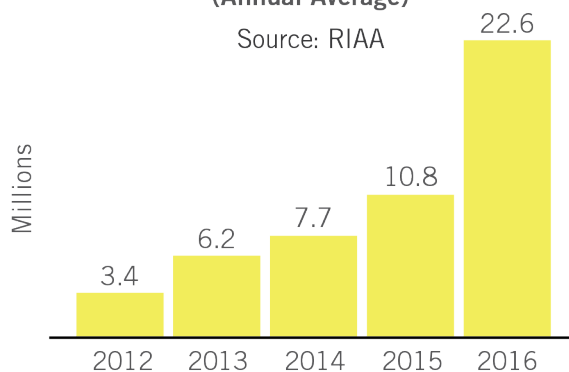


On both a dollar and percentage basis, no format category grew as much as paid subscriptions. In 2016, revenues from paid subscription services in the United States more than doubled, up 114% to \$2.5 billion. Paid subscriptions alone accounted for about 1/3 of total U.S. recorded music industry revenue in 2016. Growth was driven by very strong new user adoption, as the number of paid subscriptions to full on-demand services grew 109% to average 22.6 million for the year, compared with 10.8 million in 2015. Adoption was driven by growth from both new and existing services, as it was the first full year of results for Apple Music, and other leading services like Spotify Premium grew as well.

Figure 5

Paid Subscriptions in the U.S. (Annual Average)

Source: RIAA



As the subscription market has evolved with a greater variety of service offerings and features, we are now differentiating revenues between full-service paid subscriptions and some “limited tier” services. This new category includes paid subscriptions for services limited by factors such as mobile access, catalog availability, on-demand limitations, or device restrictions. Services like Amazon Prime, Pandora Plus, and other subscriptions are included in this category. In 2016, of the \$2.5 billion subscription total, \$220 million falls into this category. The number of subscriptions does not include these types of services.

Revenues from on-demand streaming services supported by advertising grew 26% to \$469 million in 2016. Reports from industry tracking services like the Nielsen Company and Border City Media estimate these services streamed more than 200 billion songs to fans in the United States in 2016.

SoundExchange distributions totaled \$884 million in 2016, up 10% year-over-year.

For the first time, we are also reporting an “other ad-supported streaming” category that reflects revenues from direct payments from ad-supported digital streaming services that are not distributed by SoundExchange and not included in the on-demand category. This category contributed \$101 million in 2016.

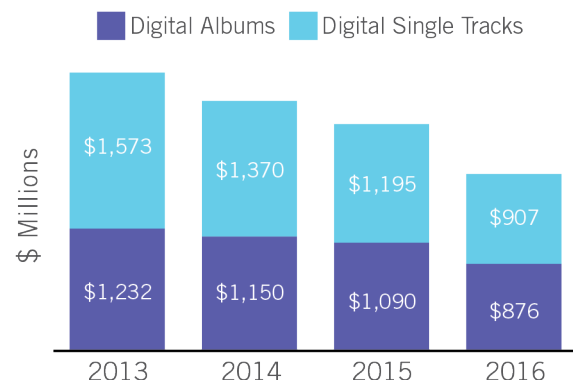
DIGITAL DOWNLOADS

In 2016, revenues from sales of digital tracks and albums declined faster than in any previous year. Overall digital download revenues were \$1.8 billion, down 22% versus 2015. Individual track sales revenue was down 24%, and digital album revenue was down 20% compared with the previous year. Revenues from sales of digital albums were 49% of the download total, their highest share ever.

Figure 6

U.S. Digital Download Revenues

Source: RIAA

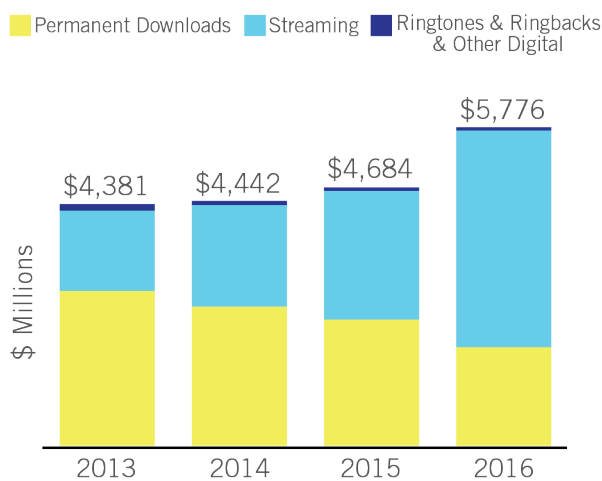


The total value of digitally distributed formats in 2016 was \$5.8 billion, up 23% from the prior year, and contributed 78% of total industry value (note this calculation excludes Synchronization revenues).

Figure 7

U.S. Digital Music Revenues

Source: RIAA



PHYSICAL PRODUCTS

The total value of shipments of physical products decreased 16% to \$1.7 billion. The share of the market from physical music products fell to just 22%, down from 29% in 2015. Physical products had been more than half the market (by value) as recently as 2010. Revenues from CD shipments were down 21% at estimated retail value, and made up 70% of the physical market in 2016. Shipments of vinyl albums were up 4% to \$430 million, and comprised 26% of total physical shipments at retail value – their highest share since 1985.

OVERALL

Driven primarily by growth in paid subscriptions, these results build on the 2016 midyear data. The industry showed another increase, albeit from levels that remain well below their peak in the late 1990's. The growth of streaming music and prevalence of digital platforms show that music consumption is higher than ever – which is great for fans. But challenges remain significant as physical shipments and digital downloads, two of the industry's three major revenue sources, continued to decline in 2016. RIAA CEO Cary Sherman offers more commentary on the state of the business [here](#).

Note – Data for previous years has been updated.

The timing of revenue recognition for “Other Ad-Supported Streaming” category resulted in a one-time increase for 2016 revenue totals.

RIAA presents the most up-to-date information available in its industry revenue reports and online statistics database: <https://www.riaa.com/u-s-sales-database>

For news media inquiries, please contact:

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 Liz Kennedy
 202-775-0101

2016 Year-End Industry Shipment and Revenue Statistics

202-775-0101

United States Unit Shipments and Estimated Retail Dollar Value (In Millions, net after returns)

DIGITAL SUBSCRIPTION & STREAMING

	2015	2016	% CHANGE 2015-2016
(Units Shipped) (Dollar Value)			
SoundExchange Distributions ¹	\$802.6	\$883.9	10.1%
Paid Subscription ²	10.8 \$1,158.9	22.6 \$2,258.3	108.7% 94.9%
Limited Tier Paid Subscription ³	-	\$220.3	-
On-Demand Streaming (Ad-Supported) ⁴	\$372.7	\$469.0	25.8%
Other Ad-Supported Streaming ⁵	-	\$101.2	-
Total Streaming Revenues	\$2,334.1	\$3,932.7	68.5%

DIGITAL PERMANENT DOWNLOAD

(Units Shipped) (Dollar Value)			
Download Single	994.5 \$1,195.1	751.2 \$906.8	-24.5% -24.1%
Download Album	109.3 \$1,090.0	86.0 \$875.8	-21.3% -19.6%
Ringtones & Ringbacks	21.9 \$54.6	16.1 \$40.1	-26.5% -26.5%
Other Digital ⁶	\$10.1	\$20.5	103.1%
Total Digital Download Revenues	\$2,349.8	\$1,843.2	-21.6%

TOTAL DIGITAL VALUE

	\$4,683.9	\$5,775.9	23.3%
Synchronization Royalties ⁷	\$202.9	\$204.3	0.7%

PHYSICAL

(Units Shipped) (Dollar Value)			
CD	119.9 \$1,482.5	99.4 \$1,172.5	-17.1% -20.9%
LP/EP	16.9 \$414.5	17.2 \$429.7	1.8% 3.7%
Music Video	3.2 \$71.2	2.5 \$58.4	-21.6% -18.0%
Other Physical ⁸	1.2 \$13.8	0.7 \$9.7	-39.2% -29.5%
Total Physical Units	141.1	119.8	-15.1%
Total Physical Value	\$1,982.0	\$1,670.3	-15.7%

TOTAL DIGITAL AND PHYSICAL

Total Units ⁹	1,272.3	977.2	-23.2%
Total Value	\$6,868.8	\$7,650.5	11.4%
% of Shipments ¹⁰			
Physical	30%	22%	
Digital	70%	78%	

Retail Value is the value of shipments at recommended or estimated list price
Formats with no retail value equivalent included at wholesale value

Note: Historical data updated for 2015

¹ Estimated payments in dollars to performers and copyright holders for digital radio services under statutory licenses

² Streaming, tethered, and other paid subscription services not operating under statutory licenses

Subscription volume is annual average number of subscriptions, excludes limited tier

³ Paid streaming services with interactivity limitations by availability, device restriction, catalog limitations, on demand access, or other factors

⁴ Ad-supported audio and music video services not operating under statutory licenses

⁵ Revenues from services paid directly that are not distributed by SoundExchange and not included in other streaming categories

⁶ Includes Kiosks, music video downloads, and starting in 2016 other digital music licensing

⁷ Includes fees and royalties from synchronization of sound recordings with other media

⁸ Includes CD Singles, Cassettes, Vinyl Singles, DVD Audio, SACD

⁹ Units total includes both albums and singles, and does not include subscriptions or royalties

¹⁰ Synchronization Royalties excluded from calculation

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COEX-5.5

News and Notes on 2015 RIAA Shipment and Revenue Statistics

Joshua P. Friedlander
Senior Vice President, Strategic Data Analysis, RIAA

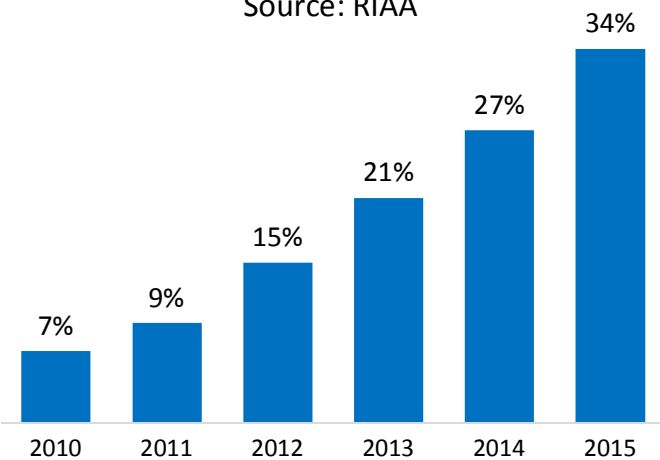
The U.S. recorded music industry continued its transition to more digital and more diverse revenue streams in 2015. Overall revenues in 2015 were up 0.9% to \$7.0 billion at estimated retail value. The continued growth of revenues from streaming services offset declines in sales of digital downloads and physical product. And at wholesale value, the market was up 0.8% to \$4.95 billion – the fifth consecutive year that the market has grown at wholesale value.

2015 was a milestone year for streaming music. For the first time, streaming was the largest component of industry revenues, comprising 34.3% of the market, just slightly higher than digital downloads.

Figure 1

Proportion of Total US Music Revenues From Streaming

Source: RIAA

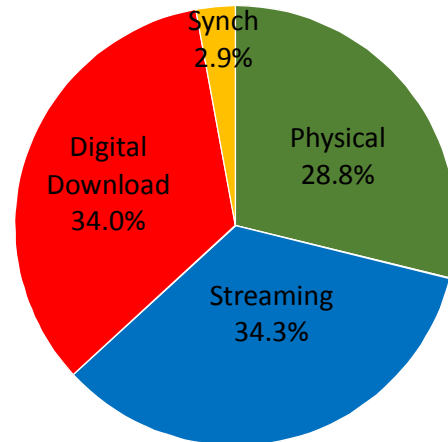


The streaming category includes revenues from subscription services (such as paid versions of Spotify, TIDAL, and Apple Music, [among others](#)), streaming radio service revenues that are distributed by SoundExchange (like Pandora, SiriusXM, and other Internet radio), and other non-subscription on-demand streaming services (such as YouTube, Vevo, and ad-supported Spotify).

Figure 2

US Revenues 2015

Source: RIAA



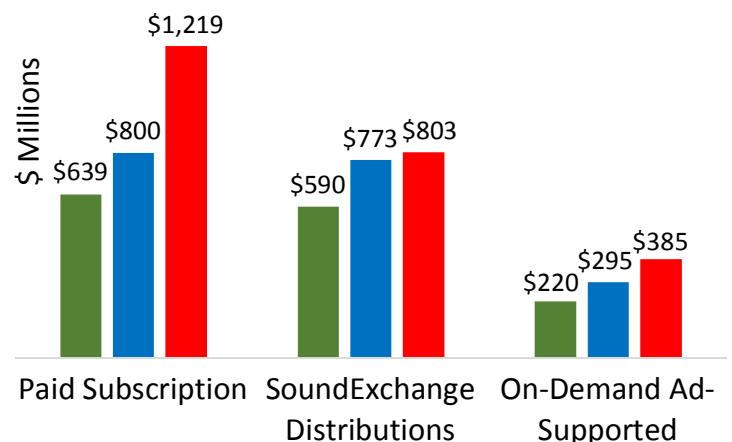
All parts of the streaming music market grew in 2015, and total streaming revenues exceeded \$2 billion for the first time ever. Combining all categories of streaming music (subscription, ad-supported on-demand, and SoundExchange distributions), revenues grew 29% to \$2.4 billion.

Figure 3

US Streaming Music Revenues

Source: RIAA

■ 2013 ■ 2014 ■ 2015



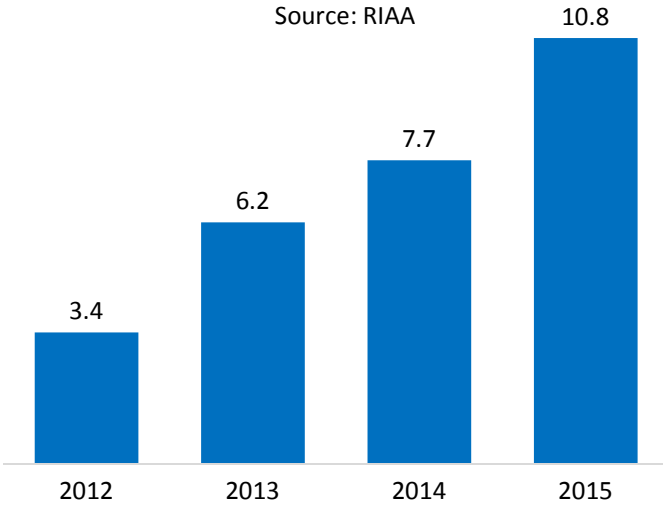
Paid subscription services were the biggest – and fastest growing – portion of the streaming market. The launch of new services like TIDAL and Apple Music made this one of the most watched and talked about spaces in the industry. In 2015, revenues from paid subscriptions

grew 52% to \$1.2 billion. At the same time, the number of paid subscriptions grew 40% to an average of 10.8 million for the full year.

Figure 4

Paid Subscriptions (US, Annual Average)

Source: RIAA



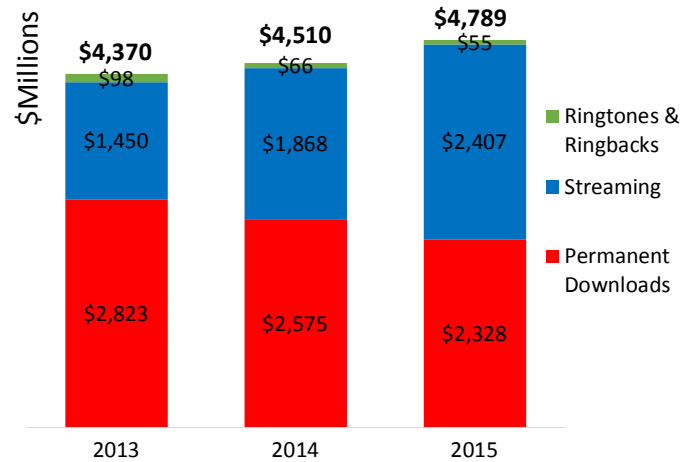
SoundExchange distributions grew 4% to \$803 million, and on-demand ad-supported streaming grew 31% y-o-y to \$385 million.

Digital accounted for 70% of the overall market by value, compared with 67% in 2014 (note Synchronization excluded from this figure). Even though digital download revenues (including digital tracks and albums) declined 10% to \$2.3 billion, the total value of digitally distributed formats was up 6% to \$4.8 billion, compared to \$4.5 billion in 2014.

Figure 5

US Digital Music Revenues

Source: RIAA



Total value of shipments in physical formats was \$2.0 billion, down 10% versus the prior year. Vinyl LPs were up 32% by value, and at \$416 million were at their highest level since 1988. Synchronization royalties were \$203 million, up 7% versus the prior year.

Overall, the data for 2015 shows a music industry that continues to adopt digital distribution platforms for the majority of its revenues. While overall revenue levels were only up slightly, large shifts continued to occur under the surface as streaming continued to increase its market share. In 2015, the industry had the most balanced revenue mix in recent history, with just about 1/3 of revenues coming from each of the major platform categories: streaming, permanent downloads, and physical sales.

Note – 2013 and 2014 data has been updated.

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2015 Year-End Industry Shipment and Revenue Statistics

202-775-0101

United States Unit Shipments and Estimated Retail Dollar Value
(In Millions, net after returns)

Digital Permanent Download

	2014	2015	% CHANGE 2014-2015
(Units Shipped) Download Single	1,199.1	1,021.0	-14.9%
(Dollar Value)	\$1,407.8	\$1,226.9	-12.8%
Download Album	117.6	109.4	-7.0%
	\$1,150.9	\$1,090.7	-5.2%
Kiosk¹	1.6	2.2	38.4%
	\$2.6	\$3.7	43.2%
Music Video	6.8	3.2	-52.8%
	\$13.6	\$6.4	-52.8%
Ringtones & Ringbacks	26.6	21.9	-17.7%
	\$66.3	\$54.6	-17.7%

Digital Subscription & Streaming

SoundExchange Distributions²	\$773.4	\$802.6	3.8%
Paid Subscription³	7.7	10.8	40.2%
	\$800.1	\$1,218.9	52.3%
On-Demand Streaming (Ad-Supported)⁴	\$294.8	\$385.1	30.6%

TOTAL DIGITAL VALUE

\$4,509.5	\$4,789.0	6.2%
------------------	------------------	-------------

Synchronization Royalties⁵

\$189.7	\$202.9	7.0%
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Physical

(Units Shipped) CD	142.8	122.9	-13.9%
(Dollar Value)	\$1,832.6	\$1,520.8	-17.0%
CD Single	1.0	0.4	-59.5%
	\$3.8	\$1.2	-67.5%
LP/EP	13.2	16.9	28.3%
	\$314.9	\$416.2	32.2%
Vinyl Single	0.5	0.5	4.1%
	\$5.9	\$6.1	2.6%
Music Video	4.1	3.3	-20.4%
	\$91.2	\$73.2	-19.8%
DVD Audio	0.1	0.2	169.7%
	\$2.1	\$5.4	153.2%
SACD	0.0	0.0	39.8%
	\$0.8	\$1.1	40.5%
Total Physical Units	161.7	144.2	-10.8%
Total Physical Value	\$2,251.3	\$2,024.0	-10.1%

Total Retail Units	141.3	124.5	-11.9%
Total Retail Value	\$2,112.0	\$1,898.0	-10.1%

TOTAL DIGITAL AND PHYSICAL

Total Units⁶	1,513.4	1,302.0	-14.0%
Total Value	\$6,950.5	\$7,015.9	0.9%

% of Shipments⁷	2014	2015
Physical	33%	30%
Digital	67%	70%

Retail Value is the value of shipments at recommended or estimated list price

Formats with no retail value equivalent included at wholesale value

Note: Historical data updated for 2013 and 2014

¹ Includes singles and albums

² Estimated payments in dollars to performers and copyright holders for digital radio services under statutory licenses

³ Streaming, tethered, and other paid subscription services not operating under statutory licenses

Subscription volume is annual average number of subscriptions

⁴ Ad-supported audio and music video services not operating under statutory licenses

⁵ Includes fees and royalties from synchronization of sound recordings with other media

⁶ Units total includes both albums and singles, and does not include subscriptions or royalties

⁷ Synchronization Royalties excluded from calculation

Permission to cite or copy these statistics is hereby granted, as long as proper attribution is given to the Recording Industry Association of America

For a list of authorized services see www.whymusicmatters.com

COEX-5.6



Spotify
SPOT

#437

Rank

\$227.34

Share price

\$43.50 B

Marketcap

-2.40%

Change (1 day)

SE Sweden

Country

-1.47%

Change (1 year)

Market cap

Revenue

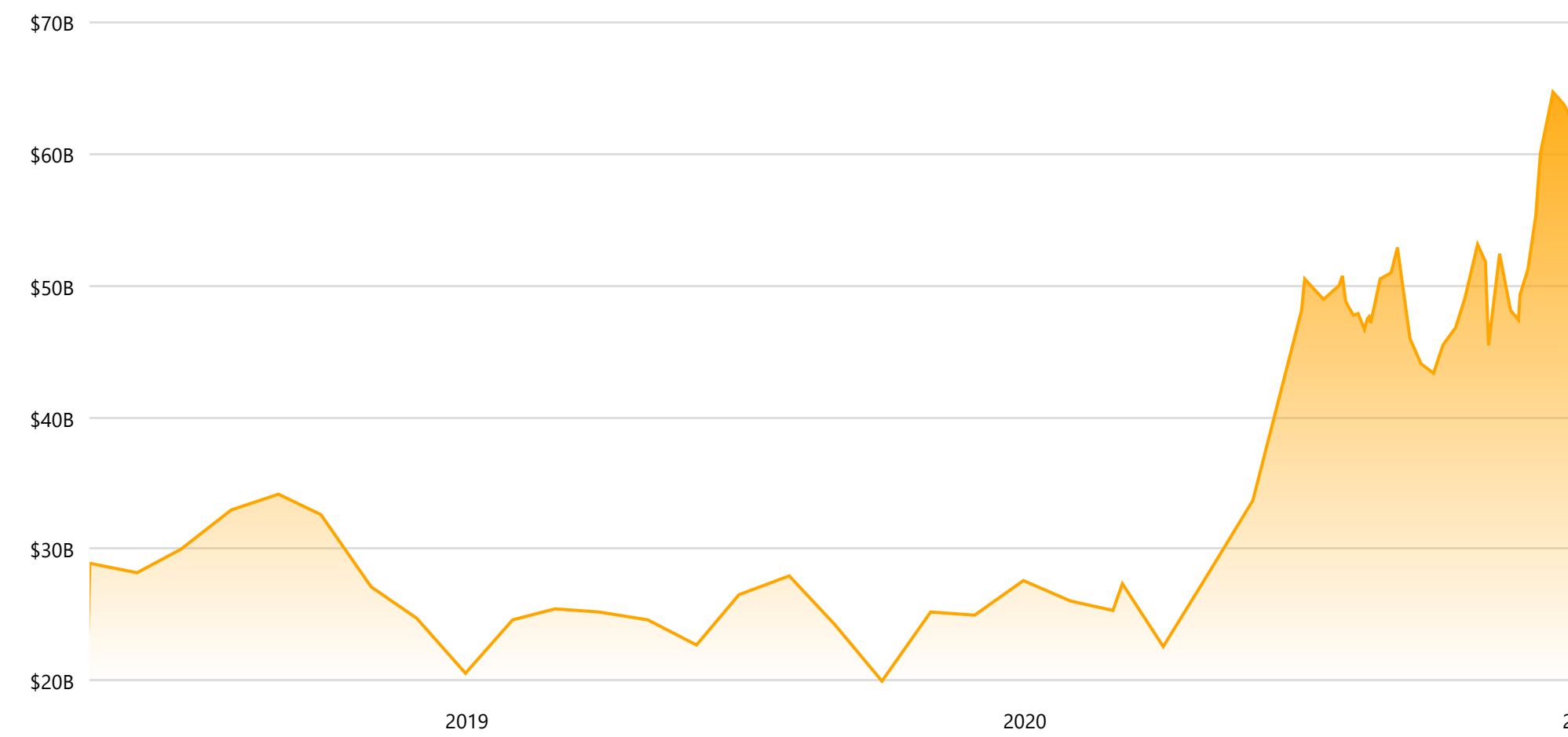
Earnings

Market capitalization of Spotify (SPOT)

Market cap: \$43.50 Billion

As of September 2021 **Spotify** has a market cap of **\$43.50 Billion**. This makes Spotify the world's **437th** most valuable company by market cap according to our data. The market capitalization, commonly called market cap, is the total market value of a publicly traded company's outstanding shares and is commonly used to mesure how much a company is worth.

Market cap history of Spotify from 2018 to 2021



Year	Market cap	Change
2021	\$44.05 B	-26.16%
2020	\$59.65 B	116.41%
2019	\$27.56 B	34.29%
2018	\$20.52 B	

What is the market capitalization of a company?

Contact

The market capitalization sometimes referred as Marketcap, is the value of a publicly listed company. In most cases it can be easily calculated by multiplying the share price with the amount of outstanding shares.

DISCLAIMER

CompaniesMarketCap.com is not associated in any way with CoinMarketCap.com
Stock prices are delayed, the delay can range from a few minutes to several hours.

For inquiries or if you want to report a problem write to hello@8marketcap.com

COEX-5.7

Total Enterprise Value (TEV) For Spotify Technology S.A. (SPOT)

Search for metric or datapoint

Total Enterprise Value (TEV)

The total value of a firm including claims of creditors (secured and unsecured) and shareholders (preferred and common). Unlikely

Enterprise Value (EV... [+ VIEW MORE](#))

Definition of Total Enterprise Value (TEV)

Total Enterprise Value (TEV) reflects the market value of the entire business including assets not required to operate the business.

How to calculate Enterprise Value:

```
Market Capitalization
(+) Total Debt
(+) Minority Interest and Other Liabilities
(+) Preferred Equity
(-) Cash and Short Term Investments
(-) Other Adjustments

(=) Enterprise Value
```

Total Enterprise value is not meaningful for all companies. Banks and similar financial institutionals must operate with a lot of debt on their balance sheets in order to function, so equity value tends to be the more appropriate measure of business value.

Note, Total Enterprise Value differs from [Enterprise Value \(EV\)](#) because [non-operating assets](#) are deducted from TEV to get to EV.

COEX-
5.7

Since Spotify Technology is not such a financial institutional, we can calculate enterprise value as follows:

```

Market Capitalization [ €37.243 B ]
(+) Total Debt [ €1.813 B ]
(+) Minority Interest and Other Liabilities [ - ]
(+) Preferred Equity [ - ]
(-) Cash and Short Term Investments [ -€2.988 B ]
(-) Other Adjustments [ -€17.693 M ]

(=) Total Enterprise Value [ €36.05 B ]

```

The tables below summarizes the trend in market capitalization and total enterprise value for Spotify Technology over the last five years:

Date	Market Cap	Total Enterprise Value
2016-12-31	-	-
2017-12-31	-	-
2018-12-31	€17.947 B	€16.247 B
2019-12-31	€23.874 B	€23.091 B
2020-12-31	€48.834 B	€47.779 B

Click the link below to download a spreadsheet with an example Total Enterprise Value (TEV) calculation for Spotify Technology S.A. below:

[Example Calculation](#)

Sector Benchmark Analysis

[Sector](#)

The chart above depicts the distribution of total enterprise value (tev) for companies operating in the Communication Services sector in the Luxembourg. Over 0 companies were considered in this analysis, and

**COEX-
5.7**

5 had meaningful values. The average total enterprise value (tev) of the companies is 6.751 B with a standard deviation of 4.387 B.

Spotify Technology S.A.'s Total Enterprise Value (TEV) of 42.11 B is significantly outside the interquartile range and is excluded from the distribution. The following table provides additional summary stats:

Total Enterprise Value (TEV) In The
Communication Services Sector

Country	Luxembourg
Total Constituents	6
Included Constituents	5
Min	18.785 M
Max	10.695 B
Median	7.219 B
Mean	6.751 B
Standard Deviation	4.387 B

You can find companies with similar total enterprise value (tev) using [this stock screener](#).

Data sourced from © 2021, S&P Global Market Intelligence (and its affiliates as applicable). All rights reserved. [Terms Of Use](#)

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COEX-5.8

PRESS RELEASE DETAILS

VIEW ALL NEWS

Spotify Technology S.A. Announces Financial Results for First Quarter 2021

04/28/2021

NEW YORK--(BUSINESS WIRE)-- Spotify Technology S.A. (NYSE:SPOT) today reported financial results for the first fiscal quarter of 2021 ending March 31, 2021.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20210428005327/en/>

SUMMARY USER AND FINANCIAL METRICS

SUMMARY: USER AND FINANCIAL METRICS					
	Q1 2020	Q4 2020	Q1 2021	% Change	
USERS (M)					
Total Monthly Active Users ("MAUs")	286	345	356	24%	3%
Premium Subscribers	130	155	158	21%	2%
Ad-Supported MAUs	163	199	208	27%	4%
FINANCIALS (€M)					
Premium	1,700	1,887	1,931	14%	2%
Ad-Supported	148	281	216	46%	(23%)
Total Revenue	1,848	2,168	2,147	16%	(1%)
Gross Profit	472	575	548	16%	(5%)
Gross Margin	25.5%	26.5%	25.5%	--	--
Operating (Loss)/Income	(17)	(69)	14	--	--
Operating Margin	(0.9%)	(3.2%)	0.7%	--	--
Net cash flows from operating activities	(9)	107	65	--	(39%)
Free Cash Flow¹	(21)	74	41	--	(45%)

(Graphic: Business Wire)

Dear Shareholders,

We are pleased with our performance in Q1. The business delivered subscriber growth and Gross Margin at the top end of our guidance range, a continued improvement in ARPU, and operating income better than plan. We saw greater MAU variability this quarter, but results were within our range of expectations given the outperformance in Q4 and the continued impact from COVID-19. Revenue grew by 16% (22% excluding the impact of FX) and was at the upper end of our guidance range. Other highlights from the quarter include a successful launch in 86 new markets, a \$1.5 billion Exchangeable Notes offering, and the acquisition of Betty Labs (Locker Room).

MONTHLY ACTIVE USERS ("MAUs")

Total MAUs grew 24% Y/Y to 356 million in the quarter, finishing within our guidance range but modestly below our internal expectations. In Q1, we added 11 million MAUs, which drove healthy double digit Y/Y growth across all regions. We saw meaningful contributions from markets such as the US, Mexico, Russia, and India. However, growth was lower than plan in Latin America and Europe. In aggregate, the performance of our newly launched markets was in line with our expectations.

Global consumption hours continued to grow meaningfully in Q1 on a Y/Y basis. Per user consumption grew in developed regions such as North America and Europe, while developing regions showed signs of improvement but remained below pre-COVID levels.

PREMIUM SUBSCRIBERS

Our Premium Subscribers grew 21% Y/Y to 158 million in the quarter, hitting the top end of our guidance range. In Q1, we added nearly 4 million subscribers, which drove healthy double digit Y/Y growth across all regions and was strong relative to a tough promotional comparison from Q1 last year. The subscriber outperformance was fairly broad based and led by North America, where we saw stronger than expected performance of Trials & Campaigns and faster

anticipated growth in our Standard product. In Latin America, we saw outperformance driven by the continued success of our Family Plan product. We are pleased with the new market contributions, with South Korea being the biggest driver.

Our average monthly Premium churn rate for the quarter was down modestly Y/Y and flat Q/Q. The Y/Y improvement continues to be driven by the adoption of our higher retention offerings like Family Plan in addition to growth in high retention regions.

FINANCIAL METRICS

Revenue

Total revenue of €2,147 million grew 16% Y/Y in Q1 (22% Y/Y on a constant currency basis). Reported revenue was toward the top end of our guidance range due to subscriber outperformance, slightly lower headwinds from FX (600 bps impact vs. 770 bps incorporated into our plan), and advertising strength. The FX impact was primarily driven by the Y/Y US dollar weakness vs. the Euro. Premium revenue grew 14% Y/Y to €1,931 million (or 19% Y/Y in constant currency terms) while Ad-Supported revenue was particularly strong, growing 46% Y/Y to €216 million (or 57% Y/Y in constant currency terms).

Within Premium, average revenue per user ("ARPU") of €4.12 in Q1 was down 7% Y/Y (but down only 1% Y/Y in constant currency terms vs. down 3% Y/Y in Q4). Excluding FX, product mix accounted for the majority of the ARPU decline. To date, we have raised prices across a variety of our Premium offerings in over 30 markets and early results have shown no material impacts to gross intake or cancellation rates. On April 26th, we announced price increases for various subscription products in 12 additional markets, including the United States (Family Plan), United Kingdom (Student, Family, and Duo Plans), and Brazil (Full Portfolio).

Ad-Supported revenue outperformed our forecast with all regions growing double digits Y/Y excluding the impact of FX. The strength in Ad-Supported revenue was led by our Podcast and Programmatic channels, with the former benefiting from the acquisitions of Megaphone and The Ringer along with our exclusive licensing of the Joe Rogan Experience. Spotify Ad Studio grew substantially Y/Y, and we continued to expand the self-serve offering to more markets (France, Germany, and Italy) and began beta testing podcast inventory ad buying on Spotify Ad Studio in the US. Additionally, in April, we expanded Streaming Ad Insertion ("SAI") from the US, Canada, United Kingdom, and Germany to also include Australia and Sweden.

In February, we announced the Spotify Audience Network, a first-of-its-kind audio advertising marketplace which connects advertisers to listeners across Spotify Owned & Exclusive ("O&E") podcasts, podcasts from enterprise publishers via Megaphone, podcasts from emerging creators via Anchor, and ad-supported music. The Spotify Audience Network bundles multiple shows for advertisers to buy specific audiences using our proprietary SAI technology. We believe this shift will provide advertisers much greater reach and efficiency while creators gain a much greater monetization opportunity.

Gross Margin

Gross Margin finished at 25.5% in Q1, at the top end of our guidance range and flat Y/Y. While we continue to see strong revenue growth in podcast and non-music revenue, our non-music costs continue to grow at a slightly faster rate which is a modest drag on our Gross Margin. We did see improvements in Other Cost of Revenue (e.g. payment fees, streaming delivery costs) which offset the content spend increase.

Premium Gross Margin was 27.9% in Q1, down 42 bps Y/Y and Ad-Supported Gross Margin was 4.4% in Q1, up 1,100 bps Y/Y. As a reminder, all content costs related to podcast investment are included in the Ad-Supported business for the current and historical periods.

Operating Expenses / Income (Loss)

Operating Expenses totaled €534 million in Q1, an increase of 9% Y/Y and below our plan. Social Charges were approximately €35 million lower than forecast due to a decrease in our share price during the quarter, accounting for the majority of our Operating Expense variance. Excluding the impact of our share price volatility, Operating Expenses grew less than forecast at 14% Y/Y. Certain marketing expenses came in lower than expected due to campaign timing shifts, which were partially offset by higher than expected personnel expenses.

As a reminder, Social Charges are payroll taxes associated with employee salaries and benefits, including share-based compensation. We are subject to social taxes in several countries in which we operate, although Sweden accounts for the bulk of the social costs. We don't forecast stock price changes in our guidance so upward or downward movements will impact our reported operating expenses.

At the end of Q1, our workforce consisted of 6,794 FTEs globally.

Product and Platform

On March 29, 2021, we acquired Betty Labs, the creators of Locker Room, a live audio app that's changing the way insiders and fans talk about sports. This acquisition builds on our work to create "future formats of audio" and will accelerate Spotify's entry into the live audio space. We plan to evolve and expand Locker Room into an enhanced live audio experience for a wider range of creators and fans. Through this new live experience, Spotify will offer a range of sports, music, and cultural programming, as well as a host of interactive features that will enable creators to connect with audiences in real time. We intend to give professional athletes, writers, musicians, songwriters, podcasters, and other global voices opportunities to host real-time discussions, debates, ask me anything (AMA) sessions, and more.

During the quarter, Spotify launched multiple upgrades, including a new Desktop App and Web Player redesign that makes the user experience and navigation easier than ever by combining a modern scalable web player together with a cohesive Spotify design. Additionally, our web platform includes 36 new languages (62 in total), which also will be rolled out to the mobile app, allowing Spotify to reach more audiences.

We also began testing Podcast Topic Search in the US, which enables listeners to search for podcasts by theme and topic in an effort to make discovering new content easier than ever. In February, we announced a new partnership between Anchor and WordPress to generate opportunities for content creators to evolve their work and reach new audiences through the power of audio. With this new tool, bloggers can publish their written content as a podcast with just a few clicks—and podcasters can create a website for their podcast just as easily. This offers a whole new group of creators—those who have historically focused on the written word—to access an entirely new audience via audio and share their voices on Spotify.

We remain focused on our ubiquity strategy and continue to expand support for Spotify across a variety of platforms and markets. With the expansion of our footprint into non-music content, we also have expanded support for video podcasts on AppleTV (including AirPlay2), LG, and Comcast. At the end of Q1, users in 10 additional markets, including Sweden, Australia, and Chile, can now ask Alexa to play podcasts from Spotify. Additionally, PlayStation's PS4 and PS5 consoles now support Spotify in 5 new markets, including Russia, Ukraine, Croatia, Slovenia, and Israel.

Post Q1, we announced a limited launch of Car Thing to eligible US users. Car Thing is a smart player that allows users to more seamlessly engage with Spotify music, news, entertainment, talk, and more in the car. We also launched a joint partnership with Facebook to create an integrated ecosystem with a miniplayer experience driven by social discovery that allows listeners to enjoy audio from Spotify directly within Facebook, without switching between apps. Additionally, we announced new ways for podcast creators to monetize their work with the rollout of Spotify's Paid Subscriptions, the Spotify Open Access Platform, and utilization of the Spotify Audience Network for independent creators. These initiatives provide creators with different options to monetize their work, which allows them to continue to grow their audiences and create meaningful revenue streams.

Content

At the end of Q1, we had 2.6 million podcasts on the platform (up from more than 2.2 million podcasts by the end of Q4). The percentage of MAUs that engaged with podcast content on our platform was consistent with Q4 levels. From a consumption standpoint, we saw a strong increase in Q1 podcast consumption hours vs. Q4, with March activity driving an all-time high in terms of podcast share of overall platform consumption hours.

The Joe Rogan Experience performed above expectations with respect to new user additions and engagement. Notable Q1 content launches in the US included Renegades: Born in the USA (Higher Ground), Unlocking Us with Brene Brown (Parcast), Ringer Dish Feed - Taylor Swift (The Ringer), and Welcome To Your Fantasy (Gimlet). Renegades: Born in the USA, featuring former President Barack Obama and Bruce Springsteen, was the second largest podcast on Spotify in March (on an MAU basis) and has been our most international show to-date, with listenership extending across more than 150 countries. Internationally, we released 55 new O&E podcasts. Select launches included a Japanese original Juju Talk, which was a major driver of user acquisition in the country, as well as our first daily new original in Germany, FOMO - was hab ich heute verpasst (what did I miss today?). Additionally, we launched our first slate of 7 Spotify Originals in the Philippines, with topics ranging from gaming to well-being, featuring personalities like Pia Wurtzbach and Donnalyn Bartolome.

On the music front, key Q1 releases included Olivia Rodrigo's single, drivers license, which set the Spotify record for most streams in a day for a non-holiday song with over 15 million global streams on January 11. Additional releases include Arlo Parks' album, Collapsed in Sunbeams, as well as Selena Gomez's EP, Revelación. Daft Punk and Spotify partnered to celebrate the 20th anniversary of their highly acclaimed 2001 opus Discovery with an enhanced playlist experience after the announcement of the duo splitting up. The playlist included exclusive Canvas and Storylines for every track on the album, and since the start of the campaign, Daft Punk has seen a double digit increase in follows on-platform.

Two-Sided Marketplace

Sponsored Recommendations have shown strong growth and are becoming an essential part of new release marketing strategies for artists and labels. Q1 was the biggest quarter yet for Sponsored Recommendations, with an 11% increase over campaign volume from last quarter and a 10% increase in new customers vs. Q4. In an effort to expand and evolve Sponsored Recommendations, we expanded into Australia and New Zealand and have now made this tool available for singles. Additionally, we began the rollout of a self-serve buying experience for Sponsored Recommendations to select artist and label teams in the US.

At our Stream On event, we announced that we're testing a new commercial tool called Discovery Mode with a small group of labels that enables artists to better reach new audiences on Spotify. To ensure the tool is accessible to artists at any stage of their careers, it will not require any upfront budget and instead, labels or rights holders agree to be paid a promotional recording royalty rate for streams in personalized listening sessions where we provided this service. Early results from the labels participating have been positive with participating labels seeing a 30% increase in streams for content opted in on average.

This quarter, we announced that all artists now have access to our popular feature, Canvas, through Spotify for Artists. The Canvas for Rodrigo's drivers license was shared from Spotify to Instagram Stories over 243,000 times in its first week alone and was viewed more than 50 million times in its first three weeks. Artists at every stage of their career have used Canvas, and we now have over 1 million Canvases live on Spotify.

In Q1, we launched Noteable — our new global home for songwriters, producers and publishers which is a central space to access all the resources we've made available to the songwriting and publishing community, including Spotify Publishing Analytics, SoundBetter, Songwriter Pages and Song Credits, the Songwriting Hub, and more.

Free Cash Flow

Free Cash Flow was €41 million in Q1, a €61 million increase Y/Y as the prior year included an unfavorable impact to working capital due to a shift in timing for select licensor payments as well as an increase in net income adjusted for non-cash items. These increases were partially offset by higher cash outflow for PP&E.

In addition to the positive Free Cash Flow dynamics, we maintain a strong liquidity position and are confident in the financial position of the business. During Q1, Spotify USA Inc. issued \$1.5 billion in aggregate principal amount, zero coupon Exchangeable Notes due 2026 with a 70% conversion premium. At the end of

of Q1, we had €3.1 billion in cash and cash equivalents, restricted cash, and short term investments.

Q2 & 2021 OUTLOOK

The following forward-looking statements reflect Spotify's expectations as of April 28, 2021 and are subject to substantial uncertainty. The estimates below utilize the same methodology we've used in prior quarters with respect to our guidance and the potential range of outcomes. Given the extraordinary operating circumstances we currently face with respect to the impact of COVID-19, there is a greater likelihood of variances with respect to those ranges than typical quarters.

Q2 2021 Guidance:

- Total MAUs: 366-373 million
- Total Premium Subscribers: 162-166 million
- Total Revenue: €2.16-€2.36 billion
 - Assumes approximately 200 bps headwind to growth Y/Y due to movements in foreign exchange rates
- Gross Margin: 23.6-25.6%
- Operating Profit/Loss: €(134)-€(54) million

Full Year 2021 Guidance: We have modestly lowered our Total MAUs range for the full year consistent with the lower than expected Q1 Total MAU growth. Additionally, we have increased our outlook for Total Revenue and Gross Margin, as well as decreased the Operating Loss expectations. Our Premium Subscriber outlook remains unchanged.

- Total MAUs: 402-422 million
- Total Premium Subscribers: 172-184 million
- Total Revenue: €9.11-€9.51 billion
 - Assumes approximately 75 bps headwind to growth Y/Y due to movements in foreign exchange rates
- Gross Margin: 24.0-26.0%
- Operating Profit/Loss: €(250)-€(150) million

EARNINGS QUESTION & ANSWER SESSION

We will host a live question and answer session starting at 8 a.m. ET today on investors.spotify.com. Daniel Ek, our Founder and CEO, and Paul Vogel, our Chief Financial Officer, will be on hand to answer questions submitted through [slido.com](https://www.slido.com) using the event code #SpotifyEarningsQ121. Participants also may join using the listen-only conference line by registering through the following site:

Direct Event Registration Portal: <http://www.directeventreg.com/registration/event/8137415>

We use investors.spotify.com and newsroom.spotify.com websites as well as other social media listed in the "Resources – Social Media" tab of our Investors website to disclose material company information.

Use of Non-IFRS Measures

To supplement our financial information presented in accordance with IFRS, we use the following non-IFRS financial measures:

Revenue excluding foreign exchange effect, Premium revenue excluding foreign exchange effect, Ad-Supported revenue excluding foreign exchange effect, and Free Cash Flow. Management believes that Revenue excluding foreign exchange effect, Premium revenue excluding foreign exchange effect and Ad-Supported revenue excluding foreign exchange effect are useful to investors because they present measures that facilitate comparison to our historical performance. However, Revenue excluding foreign exchange effect, Premium revenue excluding foreign exchange effect and Ad-Supported revenue excluding foreign exchange effect should be considered in addition to, not as a substitute for or superior to, Revenue, Premium revenue, Ad-Supported revenue or other financial measures prepared in accordance with IFRS. Management believes that Free Cash Flow is useful to investors because it presents a measure that approximates the amount of cash generated that is available to repay debt obligations, to make investments, and for certain other activities that exclude certain infrequently occurring and/or non-cash items. However, Free Cash Flow should be considered in addition to, not as a substitute for or superior to, net cash flows (used in)/from operating activities or other financial measures prepared in accordance with IFRS. For more information on these non-IFRS financial measures, please see "Reconciliation of IFRS to Non-IFRS Results" table.

Forward Looking Statements

This shareholder letter contains estimates and forward-looking statements. All statements other than statements of historical fact are forward-looking statements. The words "may," "might," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "seek," "believe," "estimate," "predict," "potential," "continue," "contemplate," "possible," and similar words are intended to identify estimates and forward-looking statements.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous risks and uncertainties and are made in light of information currently available to us. Many important factors may adversely affect results as indicated in forward-looking statements. These factors include, but are not limited to: our ability to attract prospective users and to retain existing users; competition for users, user listening time, and advertisers; risks associated with our international expansion and our ability to manage our growth; ability to predict, recommend, and play content that our users enjoy; our ability to effectively monetize our Service; our ability to generate sufficient revenue

be profitable or to generate positive cash flow and grow on a sustained basis; risks associated with the expansion of our operations to deliver non-music content, including podcasts, including increased business, legal, financial, reputational, and competitive risks; potential disputes or liabilities associated with content made available on our Service; risks relating to the acquisition, investment, and disposition of companies or technologies; our dependence upon third-party licenses for most of the content we stream; our lack of control over the providers of our content and their effect on our access to music and other content; our ability to comply with the many complex license agreements to which we are a party; our ability to accurately estimate the amounts payable under our license agreements; the limitations on our operating flexibility due to the minimum guarantees required under certain of our license agreements; our ability to obtain accurate and comprehensive information about the compositions embodied in sound recordings in order to obtain necessary licenses or perform obligations under our existing license agreements; new copyright legislation and related regulations that may increase the cost and/or difficulty of music licensing; assertions by third parties of infringement or other violations by us of their intellectual property rights; our ability to protect our intellectual property; the dependence of streaming on operating systems, online platforms, hardware, networks, regulations, and standards that we do not control; potential breaches of our security systems; interruptions, delays, or discontinuations in service in our systems or systems of third parties; changes in laws or regulations affecting us; risks relating to privacy and data security; our ability to maintain, protect, and enhance our brand; payment-related risks; our ability to hire and retain key personnel; our ability to accurately estimate our user metrics and other estimates; risks associated with manipulation of stream counts and user accounts and unauthorized access to our services; tax-related risks; the concentration of voting power among our founders who have and will continue to have substantial control over our business; risks related to our status as a foreign private issuer; international, national or local economic, social or political conditions; risks associated with accounting estimates, currency fluctuations and foreign exchange controls; and the impact of the COVID-19 pandemic on our business and operations, including any adverse impact on advertising sales or subscriber revenue. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from our estimates and forward-looking statements is included in our filings with the U.S. Securities and Exchange Commission ("SEC"), including our Annual Report on Form 20-F filed with the SEC on February 5, 2021, as updated by subsequently filed reports for our interim results on Form 6-K. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this shareholder letter.

Rounding

Certain monetary amounts, percentages, and other figures included in this letter have been subject to rounding adjustments. The sum of individual metrics may not always equal total amounts indicated due to rounding.

Consolidated statement of operations

(Unaudited)

(in € millions, except share and per share data)

	Three months ended		
	March 31, 2021	December 31, 2020	March 31, 2020
Revenue	2,147	2,168	1,848
Cost of revenue	1,599	1,593	1,376
Gross profit	548	575	472
Research and development	196	232	162
Sales and marketing	236	294	231
General and administrative	102	118	96
	534	644	489
Operating income/(loss)	14	(69)	(17)
Finance income	104	4	70
Finance costs	(31)	(114)	(12)
Finance income/(costs) - net	73	(110)	58
Income/(loss) before tax	87	(179)	41
Income tax (benefit)/expense	64	(54)	40
Net income/(loss) attributable to owners of the parent	23	(125)	1
Earnings/(loss) per share attributable to owners of the parent			
Basic	0.12	(0.66)	—
Diluted	(0.25)	(0.66)	(0.20)
Weighted-average ordinary shares outstanding			
Basic	190,565,397	189,852,424	185,046,324
Diluted	191,815,695	189,852,424	185,632,113

Consolidated statement of financial position

(Unaudited)

(in € millions)

	March 31, 2021	December 31, 2020
Assets		
Non-current assets		
Lease right-of-use assets	452	
Property and equipment	337	
Goodwill	815	

Intangible assets	98	97
Long term investments	2,522	2,277
Restricted cash and other non-current assets	82	78
Deferred tax assets	14	15
	4,320	3,960
Current assets		
Trade and other receivables	440	464
Income tax receivable	5	4
Short term investments	644	596
Cash and cash equivalents	2,442	1,151
Other current assets	186	151
	3,717	2,366
Total assets	8,037	6,326
Equity and liabilities		
Equity		
Share capital	—	—
Other paid in capital	4,630	4,583
Treasury shares	(171)	(175)
Other reserves	2,052	1,687
Accumulated deficit	(3,267)	(3,290)
Equity attributable to owners of the parent	3,244	2,805
Non-current liabilities		
Exchangeable Notes	1,229	—
Lease liabilities	587	577
Accrued expenses and other liabilities	38	42
Provisions	3	2
	1,857	621
Current liabilities		
Trade and other payables	660	638
Income tax payable	12	9
Deferred revenue	424	380
Accrued expenses and other liabilities	1,715	1,748
Provisions	20	20
Derivative liabilities	105	105
	2,936	2,900
Total liabilities	4,793	3,521
Total equity and liabilities	8,037	6,326

Consolidated statement of cash flows

(Unaudited)
(in € millions)

	Three months ended		
	March 31, 2021	December 31, 2020	March 31, 2020
Operating activities			
Net income/(loss)	23	(125)	1
Adjustments to reconcile net income/(loss) to net cash flows			
Depreciation of property and equipment and lease right-of-use assets	22	21	21
Amortization of intangible assets	8	8	5
Share-based payments expense	48	43	37
Finance income	(104)	(4)	(70)
Finance costs	31	114	12
Income tax expense/(benefit)	64	(54)	40
Other	2	4	4
Changes in working capital:			
Decrease/(increase) in trade receivables and other assets	15	(94)	22
(Decrease)/increase in trade and other liabilities	(67)	182	(63)
Increase/(decrease) in deferred revenue	37	23	(4)
Decrease in provisions	(1)	—	(1)
Interest paid on lease liabilities	(11)	(12)	(15)
Interest received	—	1	3
Income tax paid	(2)	—	—
Net cash flows from/(used in) operating activities	65	107	—
Investing activities			
Business combinations, net of cash acquired	(59)	(194)	(137)

Purchases of property and equipment	(24)	(35)	(12)
Purchases of short term investments	(115)	(406)	(498)
Sales and maturities of short term investments	90	505	477
Change in restricted cash	—	2	—
Other	(6)	(4)	(14)
Net cash flows used in investing activities	(114)	(132)	(184)
Financing activities			
Payments of lease liabilities	(8)	(8)	(4)
Lease incentives received	—	7	7
Proceeds from exercise of stock options	51	45	77
Proceeds from issuance of Exchangeable Notes, net of costs	1,223	—	—
Other	(16)	(11)	(3)
Net cash flows from financing activities	1,250	33	77
Net increase/(decrease) in cash and cash equivalents	1,201	8	(116)
Cash and cash equivalents at beginning of the period	1,151	1,182	1,065
Net exchange gains/(losses) on cash and cash equivalents	90	(39)	2
Cash and cash equivalents at period end	2,442	1,151	951

Calculation of basic and diluted earnings/(loss) per share

(Unaudited)

(in € millions, except share and per share data)

	Three months ended		
	March 31, 2021	December 31, 2020	March 31, 2020
Basic earnings/(loss) per share			
Net income/(loss) attributable to owners of the parent	23	(125)	1
Share used in computation:			
Weighted-average ordinary shares outstanding	190,565,397	189,852,424	185,046,324
Basic earnings/(loss) per share attributable to owners of the parent	0.12	(0.66)	—
Diluted loss per share			
Net income/(loss) attributable to owners of the parent	23	(125)	1
Fair value gains on dilutive warrants	(22)	—	(38)
Fair value gains on Exchangeable Notes	(49)	—	—
Net loss used in the computation of diluted loss per share	(48)	(125)	(37)
Shares used in computation:			
Weighted-average ordinary shares outstanding	190,565,397	189,852,424	185,046,324
Warrants	312,148	—	585,789
Exchangeable Notes	938,150	—	—
Diluted weighted-average ordinary shares	191,815,695	189,852,424	185,632,113
Diluted loss per share attributable to owners of the parent	(0.25)	(0.66)	(0.20)

Reconciliation of IFRS to Non-IFRS Results

(Unaudited)

(in € millions, except percentages)

	Three months ended	
	March 31, 2021	March 31, 2020
IFRS revenue	2,147	1,848
Foreign exchange effect on 2021 revenue using 2020 rates	(114)	
Revenue excluding foreign exchange effect	2,261	
IFRS revenue year-over-year change %	16%	
Revenue excluding foreign exchange effect year-over-year change %	22%	
IFRS Premium revenue	1,931	1,700
Foreign exchange effect on 2021 Premium revenue using 2020 rates	(98)	
Premium revenue excluding foreign exchange effect	2,029	
IFRS Premium revenue year-over-year change %	14%	
Premium revenue excluding foreign exchange effect year-over-year change %	19%	
IFRS Ad-Supported revenue	216	148
Foreign exchange effect on 2021 Ad-Supported revenue using 2020 rates	(16)	
Ad-Supported revenue excluding foreign exchange effect	232	
IFRS Ad-Supported revenue year-over-year change %	46%	
Ad-Supported revenue excluding foreign exchange effect year-over-year change %	57%	

Free Cash Flow
(Unaudited)
(in € millions)

	Three months ended		
	March 31, 2021	December 31, 2020	March 31, 2020
Net cash flows from operating activities	65	107	(9)
Capital expenditures	(24)	(35)	(12)
Change in restricted cash	—	2	—
Free Cash Flow	41	74	(21)

¹ Free Cash Flow is a non-IFRS measure. See "Use of Non-IFRS Measures" and "Reconciliation of IFRS to Non-IFRS Results" for additional information.

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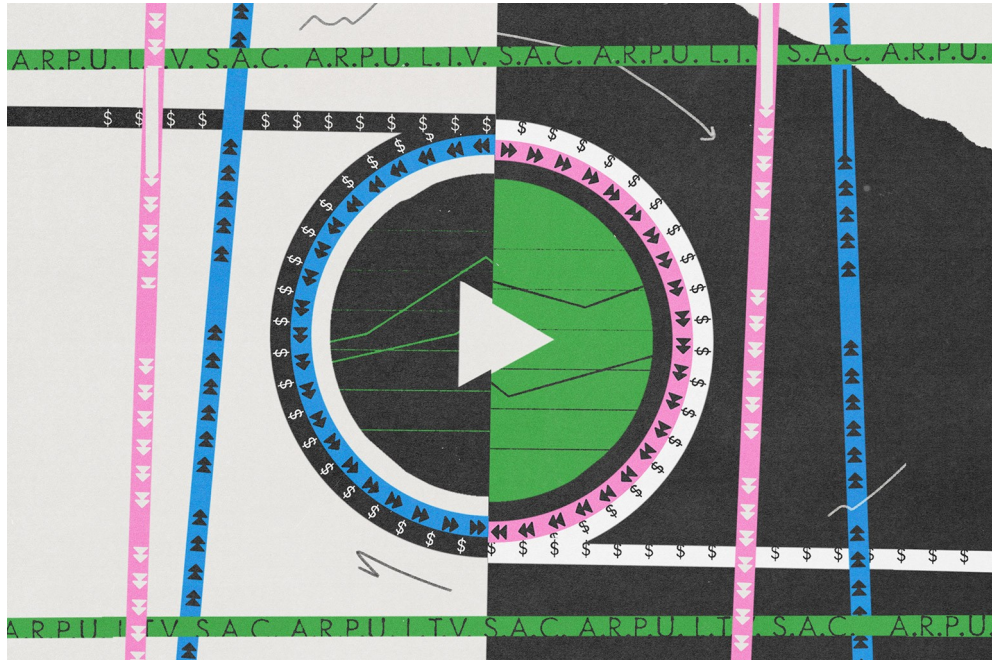
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COEX-5.9

Upside/Downside: As Spotify's ARPU Drops, Subscriber 'Lifetime Value' Has Grown



Ricardo Santos

Family plans and other subscriber deals are causing tension between the company and creators.

At Spotify, "Our continued focus is on reaching more listeners, as ultimately this will translate into long-term value for our investors," said CEO **Daniel Ek** on an October 2020 earnings call.

The company's strategy has always been that growth comes before everything else — to the occasional frustration of creators, who are sometimes more interested in today's royalty payouts than tomorrow's valuation. On the same call, CFO **Paul Vogel** said, "For us, it has historically been about really thinking about growing users and subscribers first before worrying about the monetization part."

**COEX-
5.9**

Some rights holders don't like that. They're less focused on how many subscribers a music service has than on how much money it takes in from each. That number is the average revenue per user, or ARPU, and it's closely watched because of its direct relationship to royalties, which many creators wish were higher. In 2020, Spotify's global ARPU was \$5.25 a month, of which it paid out about \$3.90 a month to rights holders. That number is down 39.4% since 2015, when it was \$8.66 due to a number of factors, including expansion in countries with lower prices, telecom bundling, student deals and family plans. When Spotify makes less per user, of course, so do creators.

COEX-5.10
RESTRICTED
FILED UNDER SEAL

COEX-5.11



Clearly the best sound.

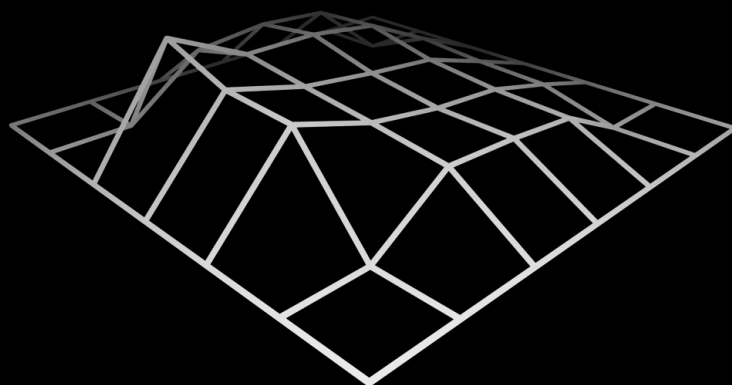
Trust your ears. With TIDAL, you can hear every single note of studio magic that so often gets lost outside of the recording booth.

Explore



Elevate your sound

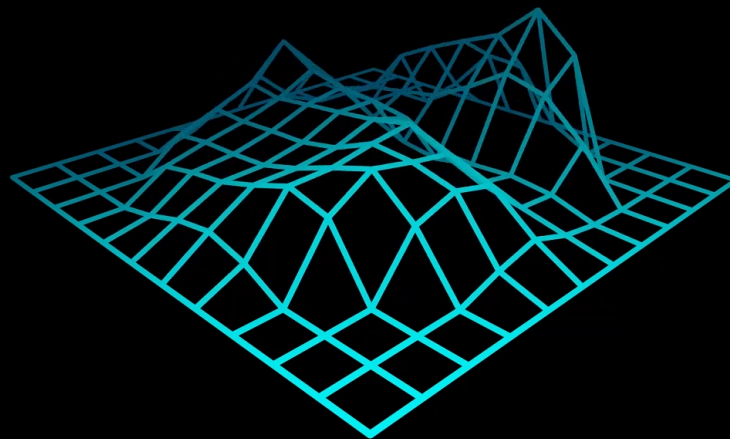
With our lossless audio experience and high-fidelity sound quality, stream music like you've never heard it before. No compromises. Just pure sound.



Standard

NORMAL AAC Quality 320 Kbps

Standard quality is easily accessible and the best compromise between data usage and sound fidelity.

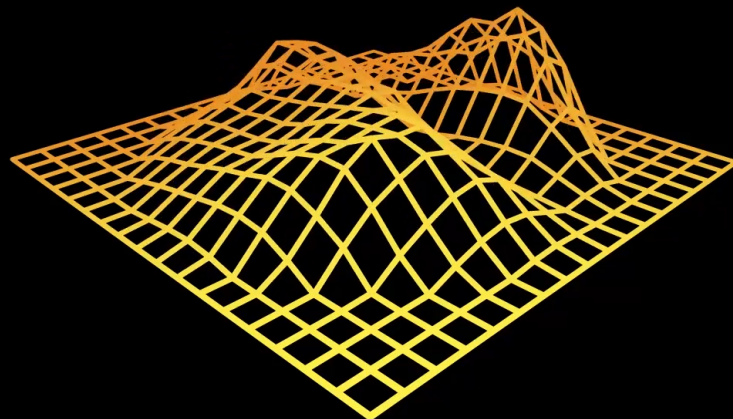


HiFi

HiFi**Lossless Quality**

1411 Kbps

TIDAL HiFi allows you to stream audio using the lossless format FLAC, creating a crisp and robust music streaming experience.



Master

MASTER

High-Res Quality 2304-9216 Kbps

Master sound quality is authenticated and unbroken, with the highest possible resolution – as flawless as it sounded in the mastering suite and precisely as the artist intended.

We play well with others.

Our partner integrations are exclusively with companies that share the same goal of offering the best-available sound quality.

> See our Supported Devices

Bluesound

Through BluOS, enjoy TIDAL's high-fidelity sound quality and expertly curated editorial, wirelessly in every room of your home.

Cambridge Audio

Enjoy TIDAL through Cambridge Audio hardware, providing great British sound since 1968.

Denon

HEOS by Denon is a wireless music system that allows you to control all your music effortlessly from anywhere in your home. All you need is a TIDAL account, one or more HEOS speakers, and the free app.

KEF

With KEF and TIDAL, true high-fidelity meets lossless streaming

McIntosh

The legendary performance of McIntosh meets TIDAL's lossless music streaming.



Rediscover the masters, in Master quality.

R&B - TIDAL Masters

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Hip-Hop - TIDAL Masters

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K-Pop - TIDAL Masters

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Tom Petty - TIDAL Masters

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MQA

Tune in to quality audio.

Discover innovative audio formats that add a new dimension to your music.

Master Quality Authenticated

MQA is the breakthrough audio technology that enables music fans to stream the original master recording whether you're at home or on the move.

In partnership with MQA, we're bringing you the ultimate audio experience. With your TIDAL HiFi membership, listen to millions of master-quality songs on your iOS or Android device, and through your TIDAL desktop app.

[> Learn More](#)

Dolby Atmos

Dolby Atmos Music is an immersive audio experience. Dolby Atmos Music allows sounds to be precisely placed, adding dimensionality to create a full audio atmosphere.

› **Learn More**

Sony Reality Audio

360 Reality Audio is a new music experience using Sony's object based spatial audio technology.

Individual sounds such as vocals, piano, guitar, bass, and even sounds of the live audience can be placed in a 360 spherical sound field, giving artists and creators a new way to express their creativity. Listeners can be immersed in a field of sound exactly as intended by artists and creators.

[> Learn More](#)



Get Started

Experience the power of HiFi for free. Start your 30-day trial now. Cancel at any time.

[Start Free Trial](#)

TIDAL HiFi

30-day free trial then \$19.99 / month

- ✓ HiFi sound quality
- ✓ TIDAL Masters
- ✓ 70+ million songs
- ✓ Unlimited skips
- ✓ Offline listening
- ✓ Expertly curated playlists
- ✓ Exclusive videos, livestreams and events

FAQ

What is HiFi sound?

HiFi sound on TIDAL delivers large and uncompressed audio files by utilizing the format FLAC to stream lossless audio, making for a truer listening experience.

What's the difference between HiFi and Masters?

HiFi audio is a superior sound but is still limited in its resolution—44.1 kHz / 16 bit. TIDAL has partnered with MQA to deliver something substantially better: an authenticated and unbroken version (typically 96 kHz / 24 bit) with the highest possible resolution—as flawless as it sounded in the mastering suite. And exactly as the artist intended it to sound.

Do I need to use a DAC while listening to TIDAL in Master quality?

While TIDAL on iOS and Android can unfold part of the audio source natively, allowing for an enhanced listening experience by default, using a DAC will unlock its full potential and give you optimal performance.

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TIDAL is the first global music streaming service with high fidelity sound, hi-def video quality, along with expertly curated playlists and original content – making it a trusted source for music and culture.

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High Fidelity sound. Unlimited streaming.

1 month free
Then \$14.99/month
Cancel anytime.*

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Why choose Deezer HiFi?

Deezer Premium benefits

Play any track, anytime with no ads, and listen offline.

High Fidelity sound

Listen to FLAC music in High Fidelity sound as if you were right in the recording studio.

Cross-device listening

Millions of FLAC tracks

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compatibility

Enjoy crystal clear music on your home sound system.

Exclusive early access to 360 Reality Audio tracks in our 360 by Deezer application.

Technically better in every way

With High Fidelity sound, you get **lossless, CD quality music streaming** - you'll be able to experience music you love as if you were right in the recording studio.

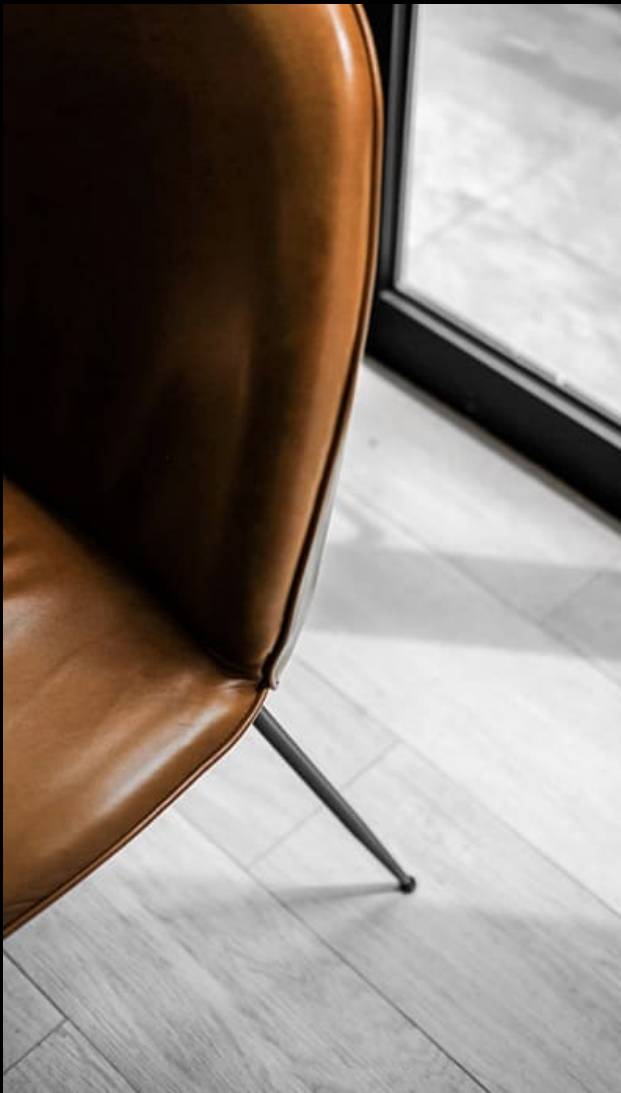
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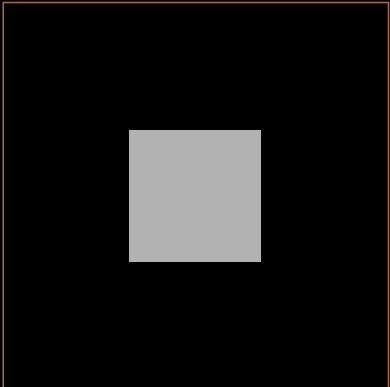
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Compressed, Standard quality

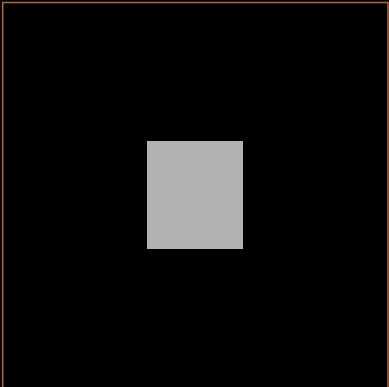


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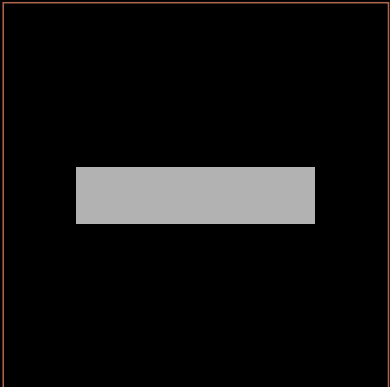
FLAC music was designed to shine on **exceptional sound systems**. Fill your home with incredible sound with devices from any of our partners:



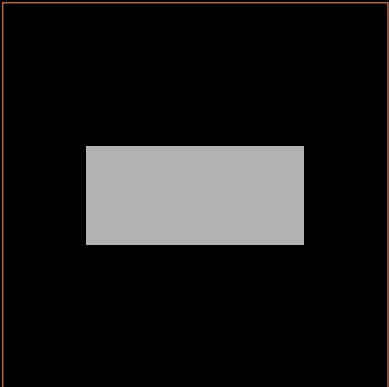
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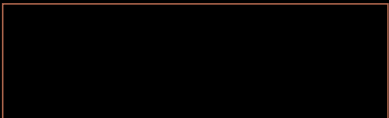
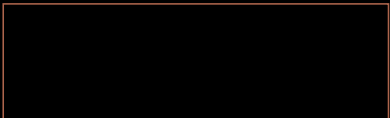
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Experience 360 by Deezer

Spatial sound

A first-look into new music technology known as 360 Reality Audio.

A Deezer HiFi exclusive

An app available exclusively for Deezer HiFi users who have lossless sound quality.

360 Reality Audio universe

Check out new releases in an ever-growing catalog of 360 Reality Audio tracks.

Discover

Hear Abbey Road as it's

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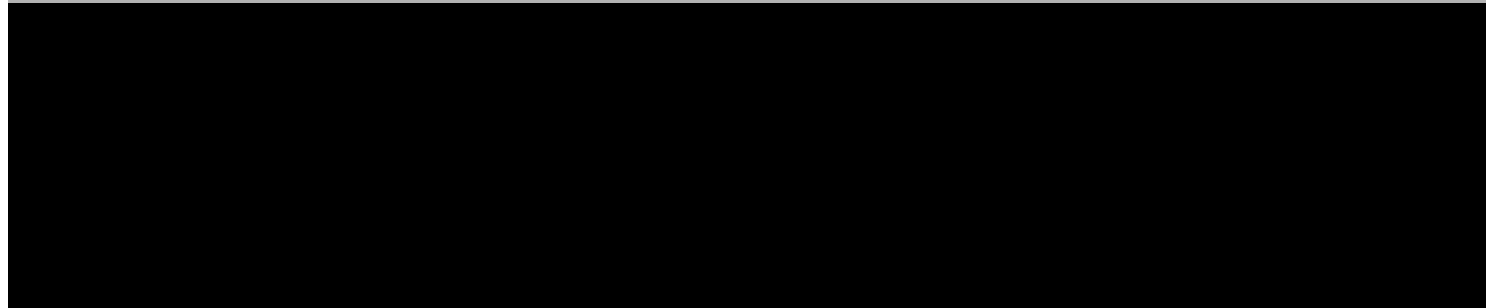


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You can hear the drums, which got dialed down in the old days.

Ringo Starr, Billboard Magazine



Premium account. Do I need to create a second account for Deezer HiFi?

No, you can upgrade to Deezer HiFi in the [Manage my subscription](#) section of your account settings. All your favorites and downloaded content will also be saved when you upgrade your plan.

between Deezer Premium and Deezer HiFi?

Deezer HiFi gives you all the benefits of Deezer Premium, plus it allows you to listen to FLAC tracks in lossless quality.

What is lossless quality?

Music files are typically compressed to provide you with faster streaming. With Deezer HiFi, you get High Fidelity sound - that means you get music files encoded in FLAC format (16-bit, 1,411 Kbps). Essentially, lossless quality is crystal clear, CD-quality audio.

Can you have multiple profiles with Deezer HiFi?

Our new Deezer Family HiFi plan makes it possible to enjoy High Fidelity sound on up to 6 accounts. If you would like to subscribe to this plan, please contact Deezer Support.

Can I use Deezer HiFi from any app?

You can access Deezer HiFi across all your devices, from the desktop app and web player to any iOS or Android smartphone. Deezer HiFi is also directly integrated on Xbox, Chromecast, Sonos and other devices. Please visit our [Devices page](#) to see all devices that are compatible with Deezer HiFi.

[Download](#)[Plans](#)[Log in](#)[Sign up](#)**Deezer HiFi**

High Fidelity sound. Unlimited streaming.

1 month free
Then \$14.99/month
Cancel anytime.*

[TRY IT NOW](#)

This offer grants you a 1-month free trial to the Deezer HiFi service. At the end of your free trial period, you will be automatically converted to a full price Deezer HiFi subscription at \$14.99 per month, unless you opt out at least 48 hours before the date of automatic renewal. This offer is non-binding. You may cancel your subscription at any time. This offer is available only for users who have never benefited from any Deezer free trial or promotion and/or who are not or have never been subscribers to a Deezer paying subscription. This is a one-time only offer per user. This offer cannot be combined with any other offer. In order to redeem this offer, you have to enter valid payment details, login or create an account and accept the general terms of use of the Deezer service (available at <http://www.deezer.com/legal/cgu>).



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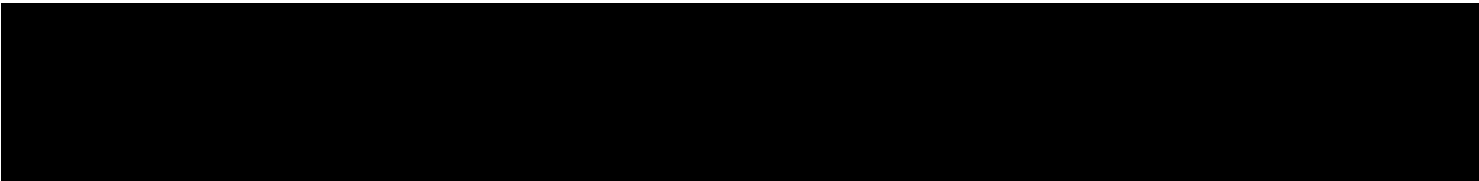
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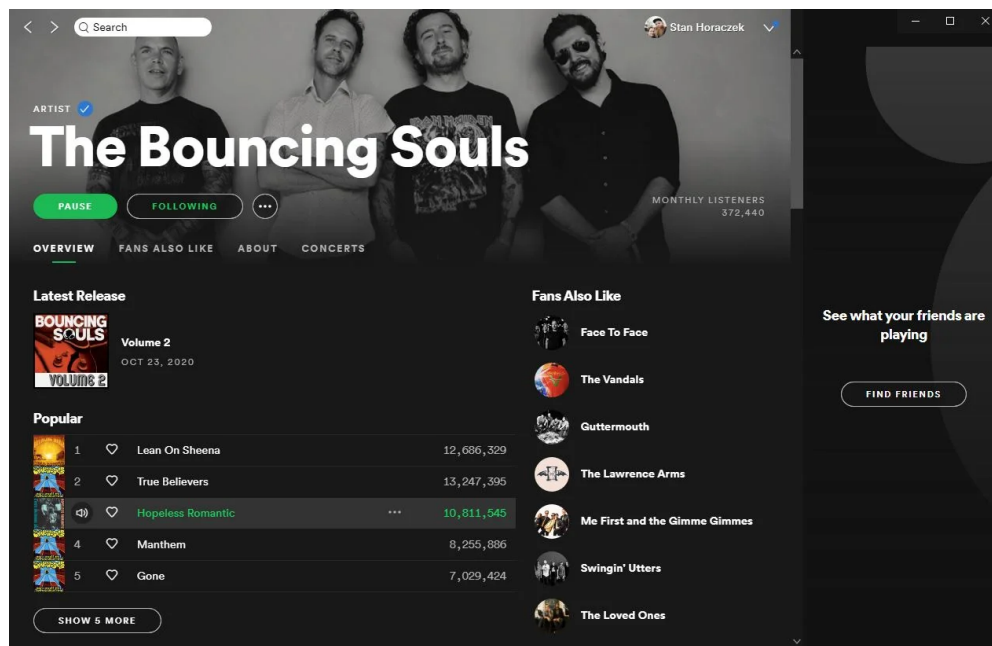


COEX-5.13

Spotify has a major audio-quality upgrade coming later this year

The service tier will be called HiFi and it will offer CD-quality audio.

By [Stan Horaczek](#) | Published Feb 22, 2021 9:12 PM



SHARE

Mention Spotify around any hardcore audiophile and they'll likely set their \$1,500 open-air headphones down on their bespoke mahogany headphone holder and scoff at the idea of listening to compressed music through a streaming service. During a recent press event, however, Spotify announced that it's launching a new service later this year specifically to offer high-resolution, CD-quality music tracks for users who want to hear every last bit of detail from their music.

Spotify [calls the service HiFi](#) and it partnered with pop star Billie Eilish to start promoting it. According to the company, the premium service will add cost to the Premium subscription fee, which Spotify has not yet announced. For that extra cash, HiFi will provide lossless, "CD quality" audio tracks that go well beyond the typical audio format offered by the regular service.

Stream On: The power of HiFi - Billie Eilish & Finneas



The difference in quality comes down to a stat called bitrate, which measures how much digital information is contained in every second of music. More information translates into better quality sound, but it also requires more computing power during playback and larger file sizes for streaming music.

What are Hifi audio files anyway?

If you max out Spotify's current quality settings, your tracks will play back at 320 kbps. That rate represents the maximum sound performance you can squeeze out of the MP3 format, which is "lossy" and has to jettison some information from the original recording in the interest of saving space and maximizing playback compatibility. In the early days of MP3's rise, 128 kbps reigned, in large part due to the prevalence of file-sharing services like Napster operating on slow connections, and relatively small storage capacity on playback devices.

To put that number into perspective, CDs have a bitrate of 1,411 kbps, which obviously retains much more of the original recording information when compared to a lossy MP3.

Bitrate isn't the only thing you'll have to consider when trying to determine the quality of an audio file. You'll often see sample rate and bit depth mentioned together because they're inherently linked when it comes to audio quality.

An analog audio wave is a smooth curve and a digital recording needs to record samples of it thousands of times per second in order to replicate a sound with constant playback. This is called sample rate and it's typically either 44,100 Hz or 192,000 Hz.

Bit depth measures how much digital information is contained in each one of those samples. So, a 24-bit depth file would have considerably more information than a 16-bit version.

Combined, these variables determine crucial audio traits. They influence the dynamic range or the contrast between the quietest and loudest parts of the music. It also affects the frequencies that the tracks can produce.

Who else is offering this kind of service?

Right now, Tidal is one of the biggest players in the high-res streaming audio market. The company's HiFi files offer a 1,411 kbps bitrate, 44,100 Hz sample rate, and a 16-bit depth. That's designed to match CD-quality sound almost exactly. This is also likely what we'll see from Spotify when the HiFi service launches later this year.

Tidal goes one step beyond HiFi to [its Master tier](#), which offers a bit rate of 9,216 kbps, a 192,000 Hz sample rate, and a 24-bit depth. The company says this is as close to listening to the master recording as a streaming service can get.

Amazon also offers tracks at 24-bit/192 kHz quality as part of its Amazon Music HD service.

Smaller services such as Qobuz, which charges \$15 per month, just like Amazon Music Unlimited, also hit that mark, but often can't match the selection listeners get with one of the massive players like Amazon or, eventually, Spotify.

How will you listen to the high-res audio?

**COEX-
5.13**

If you're planning on listening through a pair of reasonable earbuds, upgrading to the lossless versions of your streaming tracks likely won't make much of a difference for you anyway. In the Spotify announcement video, Billie Eilish extols the virtue of listening to music on a high-quality setup, which is what you'll want if you're going to get the most out of those fancy files.

Many consumer headphones (especially cheap ones) can't produce the rich dynamic and tonal range offered in a high-res file. You don't necessarily need a pair of giant stereo speakers that cost as much as a luxury sedan to hear the difference, but \$20 buds from Amazon won't let you notice the difference.

If you want to tell if your current setup will benefit from the upgraded tracks, you can currently [get a free trial of Tidal](#) or [Amazon Music HD](#). Or, you can wait for Spotify, which will probably offer a free trial to its current users in hopes of converting them with the swinging sounds of lossless music files.



COEX-5.14

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STREAM ON

Five Things to Know About Spotify HiFi

FEBRUARY 22, 2021



Artists and fans have told us that sound quality is important to them. We agree, and that's

[why today at Stream On](https://www.facebook.com/StreamOn/) (<https://newsroom.spotify.com/2021-02-22/spotify-stream-on-why-today-at-stream-on/>)

 <https://newsroom.spotify.com/2021-02-22/five-things-to-know-about-spotify-hifi/> we announced **Spotify HiFi**.

[https://twitter.com/intent/tweet?](https://twitter.com/intent/tweet?subject=Five+Things+to+Know+About+Spotify+HiFi&body=Five+Things+to+Know+About+Spotify+HiFi%0Ahttps://newsroom.spotify.com/2021-02-22/five-things-to-know-about-spotify-hifi/)

<https://newsroom.spotify.com/2021-02-22/five-things-to-know-about-spotify-hifi/> Beginning later this year, Premium subscribers in select markets will be able to upgrade their

sound quality to Spotify HiFi and listen to their favorite songs the way artists intended.
subject=Five+Things+to+Know+About+Spotify+HiFi&body=Five+Things+to+Know+About+Spotify+HiFi%0Ahttps://newsroom.spotify.com/2021-02-22/five-things-to-know-about-spotify-hifi/

Read on for five things you need to know about our new high-quality music experience:

1. High-quality music streaming is consistently one of the most requested new features by our users.
2. Spotify HiFi will deliver music in CD-quality, lossless audio format to your device and Spotify Connect-enabled speakers, which means fans will be able to experience more depth and clarity while enjoying their favorite tracks.
3. Ubiquity is at the core of everything we do at Spotify, and we're working with some of the world's biggest speaker manufacturers to make Spotify HiFi accessible to as many fans as possible through Spotify Connect.
4. HiFi will be coupled with Spotify's seamless user experience, building on our commitment to make sure users can listen to the music they love in the way they want to enjoy it.
5. Spotify HiFi will begin rolling out in select markets later this year, and we will have more details to share soon.

Want to learn more? Listen as American singer-songwriter Billie Eilish and record producer FINNEAS speak about the importance of high-quality audio options for creators and fans.

Stream On: The power of HiFi - Billie Eilish & Finneas



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President Barack Obama and Bruce Springsteen Join Forces in the New

Podcast 'Renegades: Born in the USA'

FEBRUARY 22, 2021



President Barack Obama and Bruce Springsteen first met back in 2008. Though the two

have very different backgrounds and careers, they formed a deep friendship. Starting today,

listeners can eavesdrop on their personal, intimate conversations in a new podcast:

Renegades: Born in the USA (<https://open.spotify.com/show/42xqgXCUDsFO6a0lcHoTlv>).

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Renegades: Born in the USA | A Spotify Original Podcast | From Higher Ground



The eight-episode series was announced today during Spotify's Stream On event (<https://newsroom.spotify.com/2021-02-22/spotify-stream-on-explores-power-of-audio-creation/>) and is the second podcast to launch through Spotify's partnership with President Obama and Michelle Obama's Higher Ground

(<https://newsroom.spotify.com/2019-06-06/higher-ground-announces-partnership-with-spotify-to-produce-podcasts/>). Over the course of the season, President Obama and Springsteen will explore topics of race, fatherhood, marriage, and the future of America.

Dollar Shave Club and Comcast will serve as the first season's presenting sponsors in the United States.

The longtime friends discuss their hometowns and role models, explore modern manhood, and confront the painfully divided state of the country today—and offer a vision of how we can all move forward together.

President Barack Obama asks in the introduction of the first episode of the podcast: “How did we get here? How could we find our way back to a more unifying American story?”

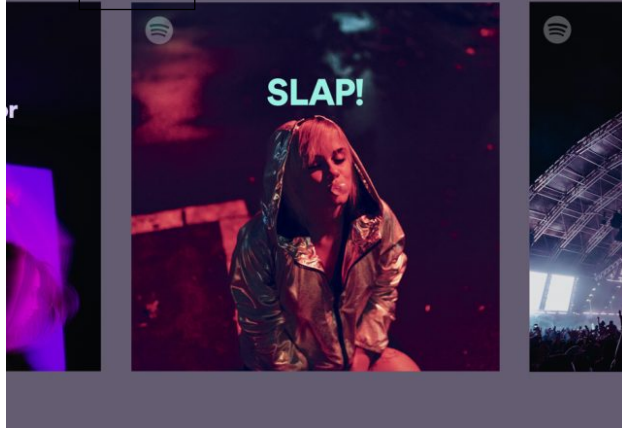
He then goes on to explain: “That topic came to dominate so many of my conversations last year—with Michelle, with my daughters and with friends. And one of the friends just happened to be Mr. Bruce Springsteen. On the surface, Bruce and I don't have a lot in common. But over the years, what we've found is that we've got a shared sensibility. About work, about family and about America. In our own ways, Bruce and I have been on parallel journeys trying to understand this country that's given us both so much. Trying to chronicle the stories of its people. Looking for a way to connect our own individual searches for meaning and truth and community with the larger story of America.”

The first two episodes are available exclusively to the hundreds of millions of Free and Premium Spotify users around the world now. Give them a listen:

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RECOMMENDED

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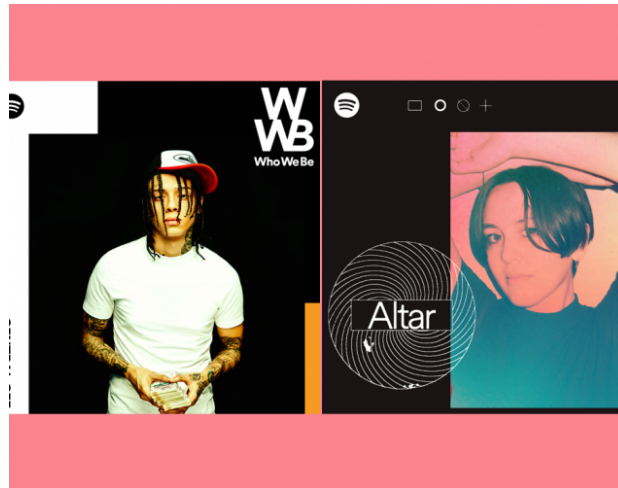


(<https://newsroom.spotify.com/2021-07-07/the-state-of-dance-music-according-to-spotify-editors/>)

JULY 7, 2021

The State of Dance Music, According to Spotify Editors
(<https://newsroom.spotify.com/2021-07-07/the-state-of-dance-music-according-to-spotify-editors/>)

JULY 7, 2021



(<https://newsroom.spotify.com/2021-02-08/how-who-we-be-altar-and-our-generation-are-propelling-uk-and-irish-artists-to-the-top/>)

FEBRUARY 8, 2021

How Who We Be, Altar, and Our Generation Are Propelling UK and Irish Artists to the Top
(<https://newsroom.spotify.com/2021-02-08/how-who-we-be-altar-and-our-generation-are-propelling-uk-and-irish-artists-to-the-top/>)

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COEX-5.15

Spotify HiFi release date, price, quality, features, rumors and song catalog

By [Nick Pino](#) August 17, 2021

Your Spotify playlist is getting the 'high-quality' treatment later this year



(Image credit: Spotify)

For fans of high-fidelity audio, Spotify HiFi could be the Holy Grail. The service, unveiled earlier this year, will deliver some of your favorite songs in lossless, CD-quality audio to close the gap to services like Tidal.

According to Spotify, high-quality music streaming is consistently one of the most requested new features by its users who, previously, have been limited to 320kbps.

Higher-resolution audio is something Apple and Amazon have also addressed recently when the companies made [Apple Lossless Audio](#) and [Amazon Music HD available to Apple Music and Amazon Music Unlimited subscribers](#) at no extra cost – which could be a sign that they're preparing for the launch of Spotify HiFi.

They might be onto something. Recently, we've seen several signs that Spotify HiFi is close to launch. We've seen [screenshots of the Spotify HiFi logo](#) in the app as well as a [Spotify HiFi onboarding](#) video leaked by a Redditor.

Unfortunately, Spotify HiFi will only be available in “select markets” to start, and while Spotify hasn't said *exactly* how much the service will cost just yet, it sounds like it's going to be more than the basic Spotify Premium price of \$9.99 / £9.99 / AU\$11.99 per month and there's no guarantee that every song in the entire Spotify catalog will have a HiFi version available.

The silver lining? We have good reason to believe that Spotify HiFi songs will be available to save and download to your devices for offline listening, which means you should be able to take your new lossless music library with you anywhere.

Ready to make the leap to lossless? Here's everything we know about Spotify HiFi.

Spotify HiFi: first look?

Recently, TechRadar had a reader [email us photos](#) of Spotify HiFi in use. While we've not been able to validate the images ourselves, the quality, font, variety and content suggests strongly that these are genuine.

The shared images show the HiFi icon in the lower right corner of the app and includes text about music playing at 16-bit/44.1kHz quality – though the reader says music wasn't playing in lossless quality.

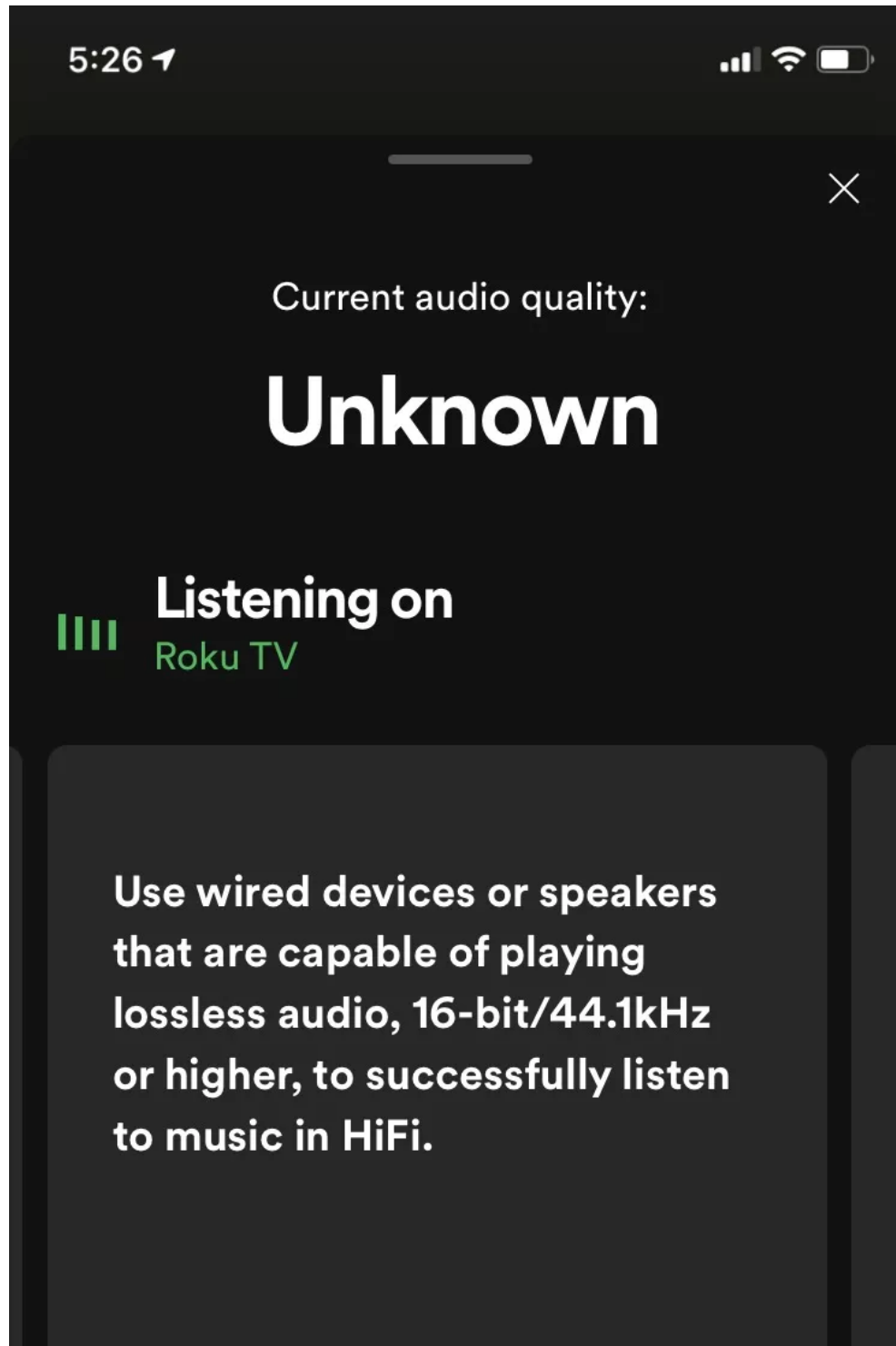
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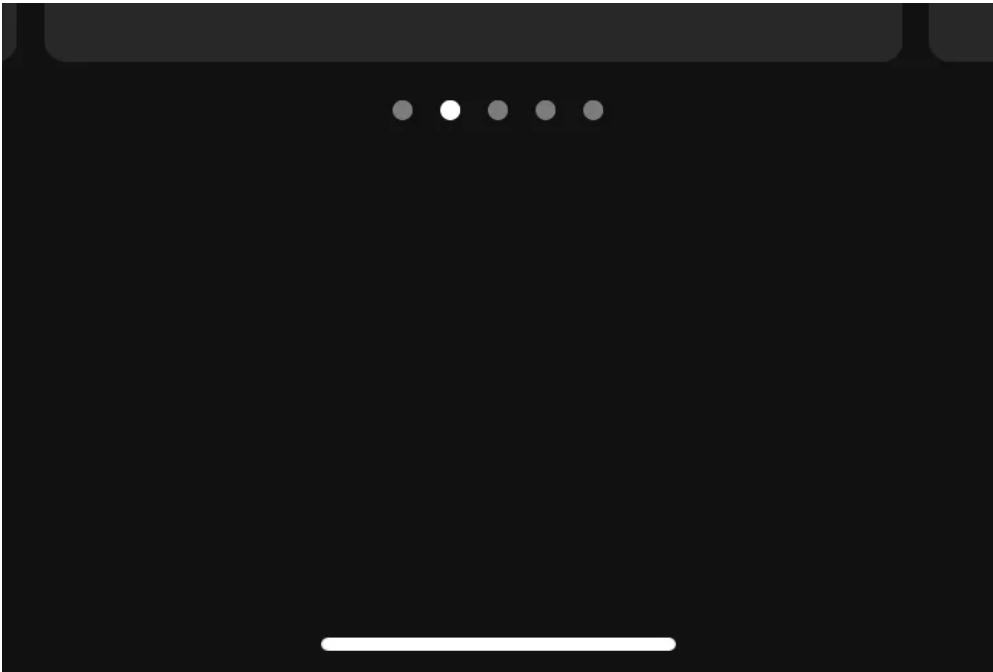


(Image credit: TechRadar Reader)

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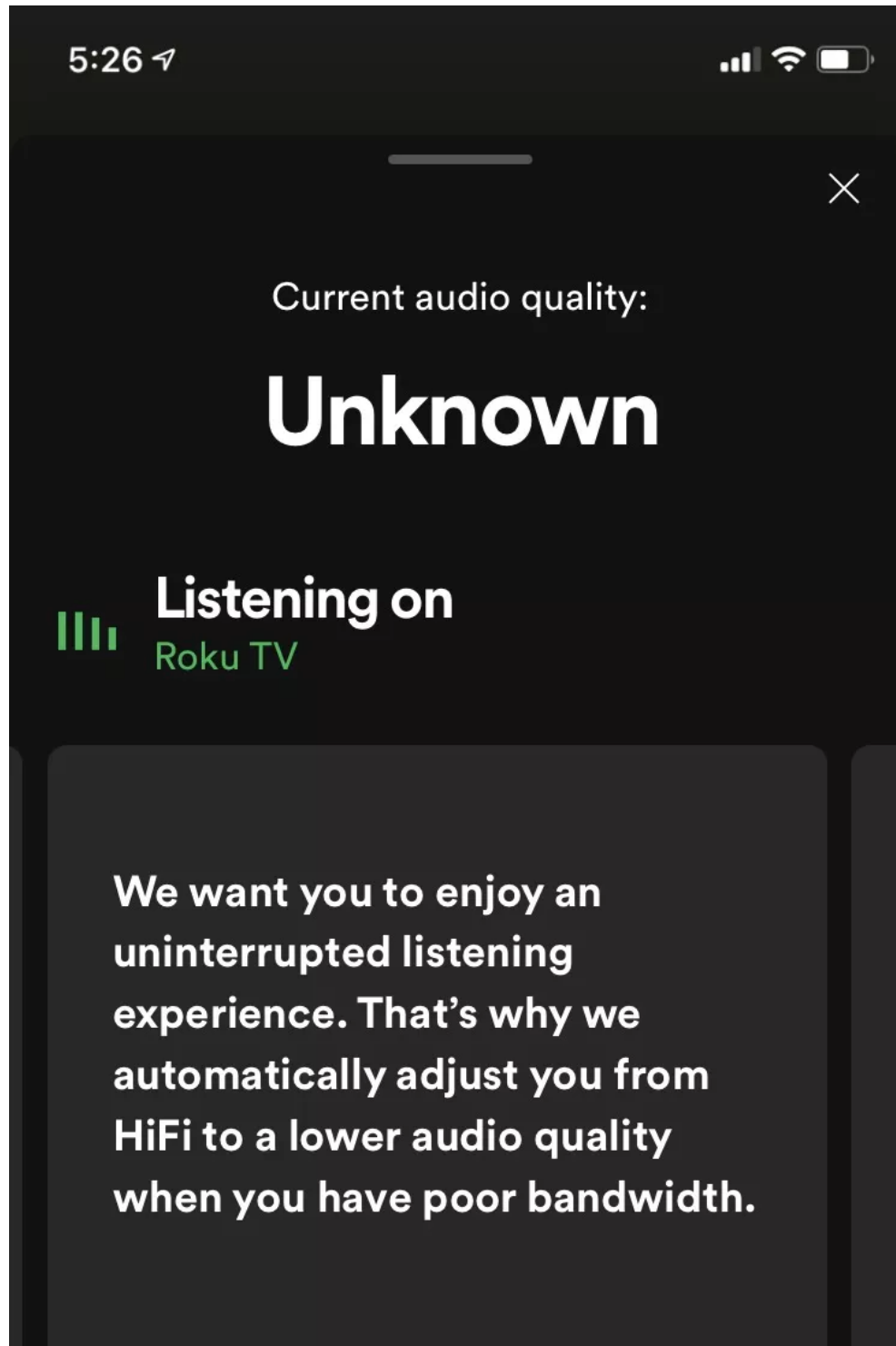


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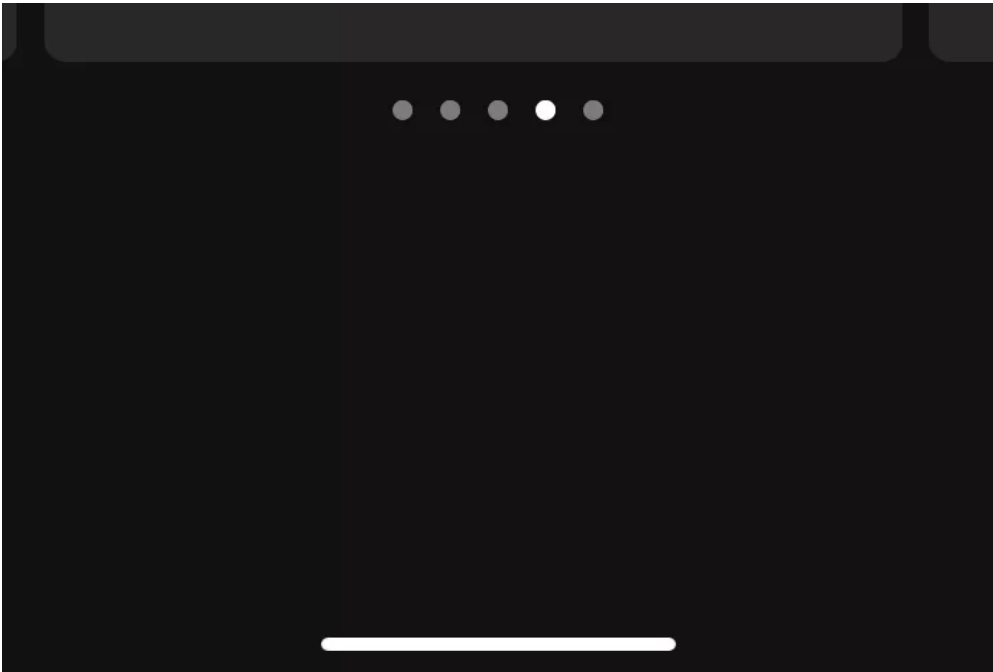


(Image credit: TechRadar Reader)

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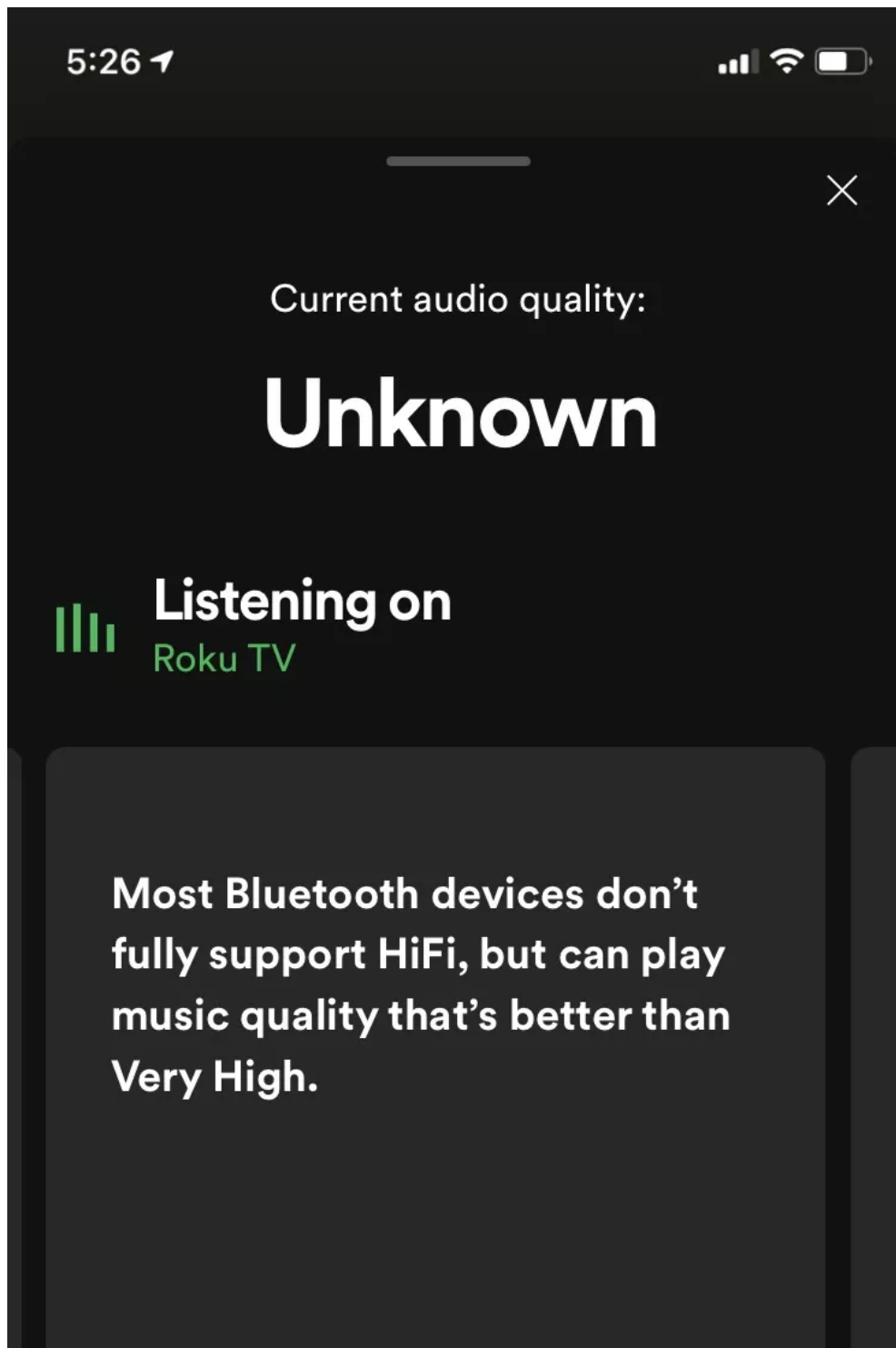


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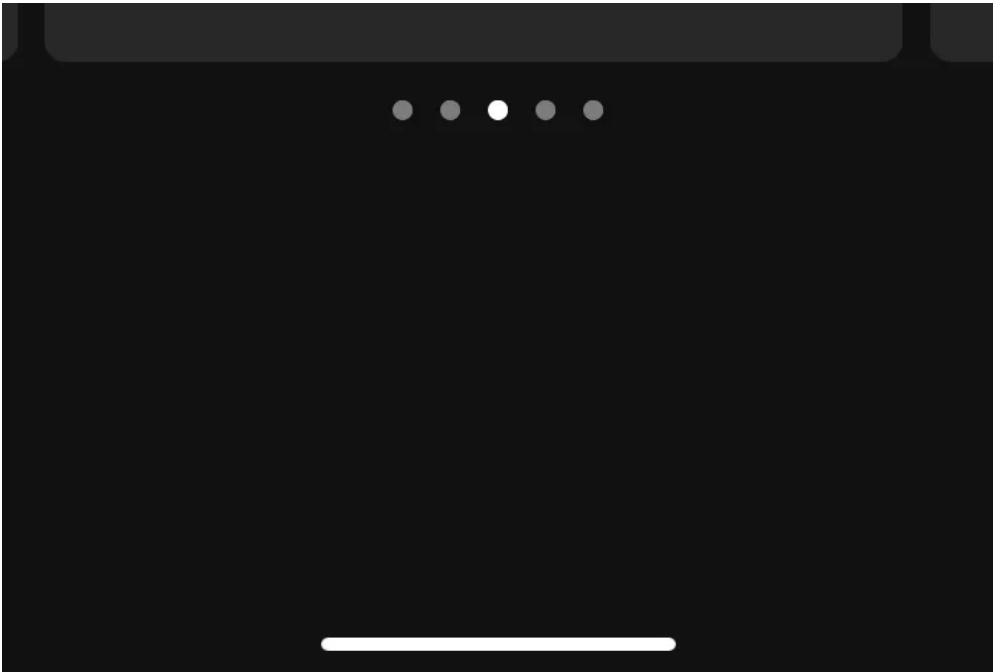


(Image credit: TechRadar Reader)

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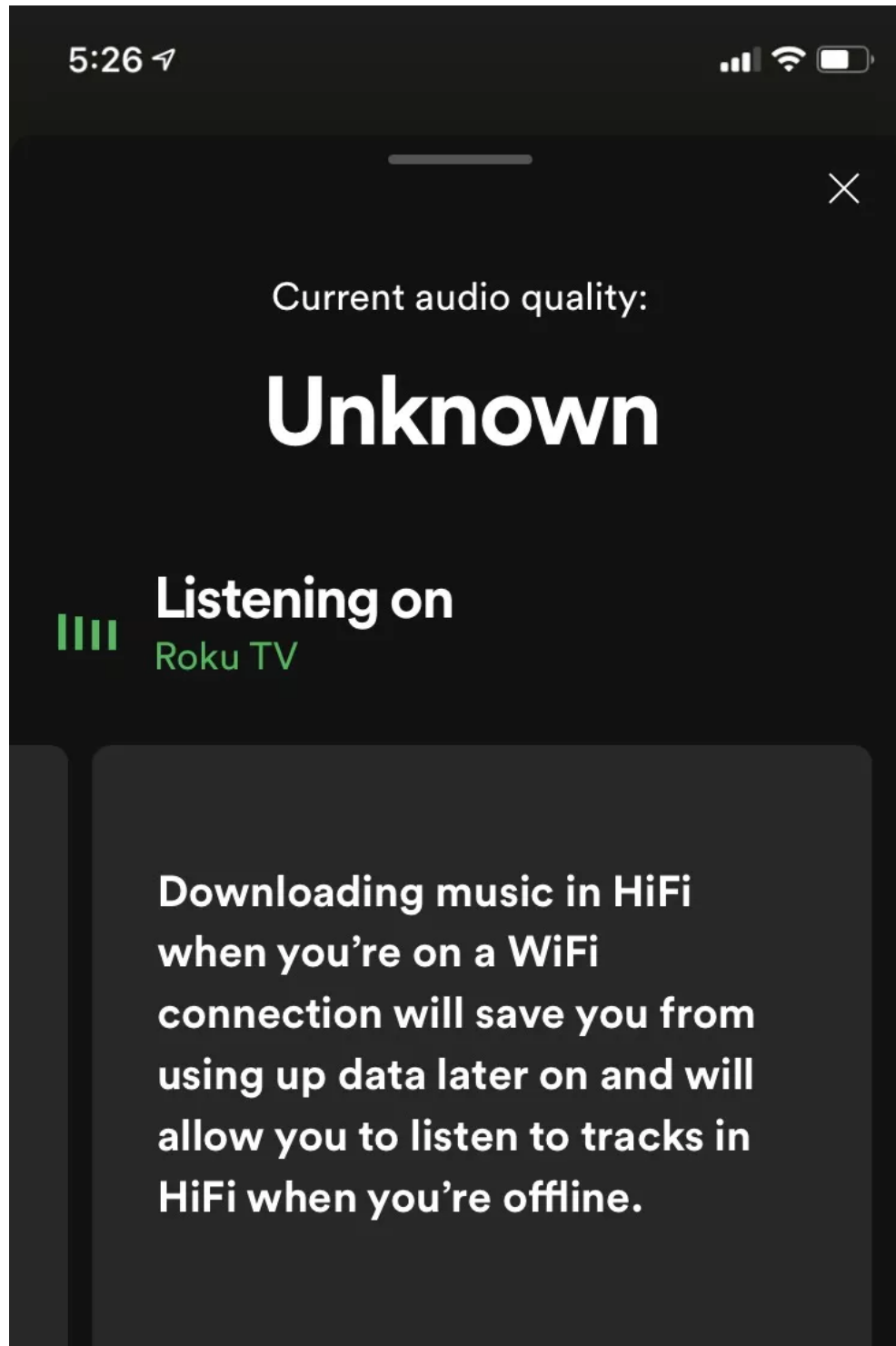


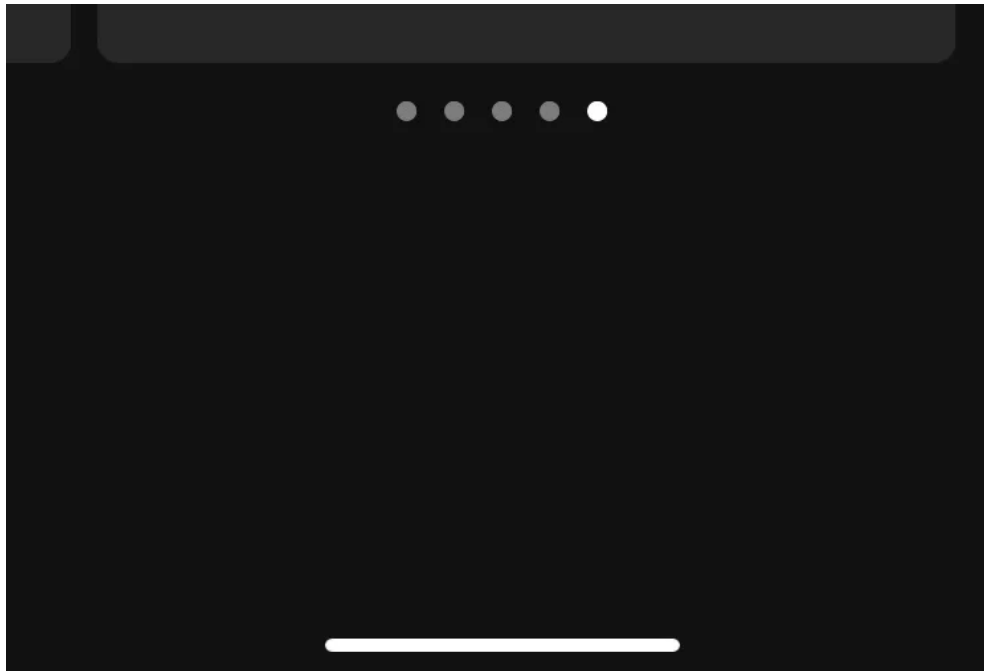
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(Image credit: TechRadar Reader)

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(Image credit: TechRadar Reader)

More recently, a video that seems to show a welcome tour of the new streaming tier has been leaked online. It was posted [by Reddit user Nickx000x](#) (via [What Hi-Fi?](#)) with the caption 'Here's a sneak peek at the upcoming HiFi onboarding process from modifying the app', and appears to give prospective HiFi users a backstage tour of the service:

Spotify HiFi Onboarding Preview



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While the video hasn't been verified as legitimate by [Spotify](#), the fact it's leaked at all suggests that the new HiFi tier will be launching very soon. In any case, Spotify said that the service would be available "later in 2021" when it was first announced, so an imminent release date certainly isn't out of the question.

According to a Five Things to Know About Spotify HiFi [blog post](#), Spotify says the new service will be available later in 2021 – and it will be available as an upgrade to Premium.

“Beginning later this year, Premium subscribers in select markets will be able to upgrade their sound quality to Spotify HiFi and listen to their favorite songs the way artists intended.”

That select markets bit is worth focusing on as it means we won't see Spotify HiFi going live in every territory at the same time. Previously, when Spotify has rolled out new features it usually starts with the US and Europe, but now that the service is available in 80 new countries it's hard to say which will be among the first to get the new service.

The other issue you'll run into for Spotify HiFi's release date is that it's unlikely that every Spotify Connect device will get the upgrade at the same time – which means some speakers like, say, the [Sonos One](#) and [PS5](#) might get it long before your slightly older AV receiver.

The short answer is that the service will, in some capacity be available later this year, but which devices will be available at launch will remain a heated topic of conversation.

Spotify HiFi price

As of right now, there's no set price for Spotify HiFi. The company says that it will unveil more exact details later this year so, for now, all we can do is speculate.

If we had to put money on it, we'd say that Spotify HiFi will cost between \$15-\$20 per month here in the US. We know for sure that it's going to be more expensive than Spotify Premium – which already costs \$9.99 per month – so between \$14.99 and \$19.99 feels like a safe bet.

What's also influencing that guess is the competition: a Tidal HiFi subscription will run you \$19.99 per month, while Hi-Res Audio streaming services like Qobuz and Deezer HiFi cost \$14.99 per month. Amazon Music Unlimited and Apple Music are a bit cheaper and now include lossless streaming options, and it's possible Spotify HiFi *could* be around the same price when it launches later this year.

Spotify HiFi streaming quality

So just how good will Spotify HiFi sound? It will supposedly sound, at the very least, as good as a CD does – and maybe a bit better.

According to Spotify, Spotify HiFi will stream in CD-quality lossless audio to your devices. Ideally, those devices will be connected to a network and capable of using Spotify Connect, otherwise you'll have to pipe it over Bluetooth which will likely diminish the quality.

That's a heck of a lot better than Spotify's current offering of 320kbps, and will likely bring the service's potential audio quality up to par with Tidal, Deezer and maybe even Apple's Digital Masters.

Speaking of Apple Digital Masters, there's always a chance that Spotify might also go above and beyond hi-fi with 96kHz / 24-bit audio, but we're not holding our breath.

So what does that all mean? In a very practical sense, lossless audio formats have more details and data than their lossy counterparts. That means hearing new details in songs you've never heard before that otherwise might've been cut out when the data was compressed. It should also sound a bit wider and more immersive, though, a lot of it will depend on which headphones or speakers you use, too.

Spotify HiFi song catalog

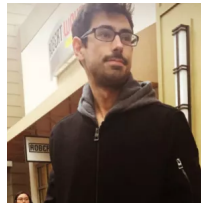
The murkiest detail of all for Spotify HiFi is how many – and which – songs from Spotify's more than 30 million-song catalog will be included.

The safest assumption we can make is that it won't support every song in Spotify's vast catalogue, but millions of them should be.

Among those will likely be top hits from major record labels which already distribute the files to other services, while some music from smaller labels and older legacy titles likely won't make the cut. We'll keep our ears to the ground for more details on which songs will make the cut, but for now it's probably best to keep your CD collection right where it is until new details emerge.

That said, however, what we can say for sure is that Spotify HiFi will allow you to take your songs with you wherever you go – some recent screenshots of Spotify HiFi explain that the feature will still work with HiFi music and Spotify encourages you to download them if you're headed somewhere without good reception.

- Here's everything you need to know about [spatial audio](#)



COEX-5.16
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COEX-5.17

Apple Music's spatial audio is sometimes amazing but mostly inconsistent

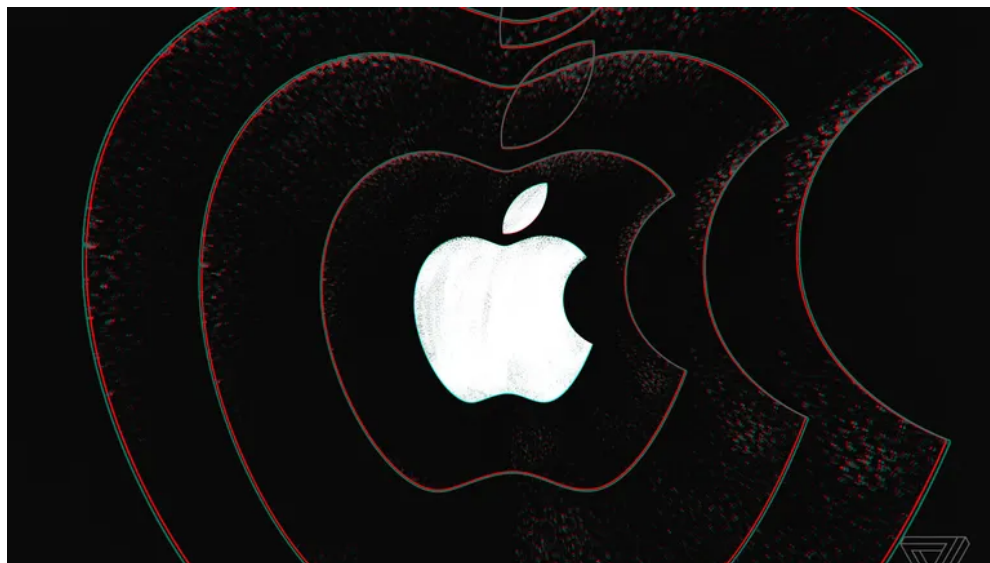


Illustration by Alex Castro / The Verge

At launch, it's a very hit or miss experience

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Late on Monday night, Apple flipped the switch on [two new features for its Apple Music subscription service](#): immersive Dolby Atmos spatial audio and lossless-quality streaming. It feels like the company is really only excited about one of them, though, and it's not the latter.

Eddy Cue is Apple's senior vice president of services and the person who oversees Apple Music. He [didn't mince words when he told *Billboard*](#) that the sudden proliferation of lossless audio isn't going to significantly evolve or change how we listen to music. "There's no question it's not going to be lossless," he said when asked what technologies will bring about the "next-gen" of music streaming. Cue firmly stands on the side of the crowd that argues most people can't hear any difference between CD-quality or hi-res tracks and the AAC or MP3 files that've been filling their ears for so long now. He did

acknowledge that the higher-bit rate tracks might matter to music lovers with particularly sharp hearing or premium audio equipment, but he was also direct about how niche that group is.

“The reality of lossless is: if you take 100 people and you take a stereo song in lossless and you take a song that’s been in Apple Music that’s compressed, I don’t know if it’s 99 or 98 can’t tell the difference.” Cue revealed that he has regularly done blind tests with the Apple Music team, and they confirm how rare it is for anyone to be able to consistently recognize lossless audio. “You can tell somebody, ‘Oh, you’re listening to a lossless [song],’ and they tell you, ‘Oh, wow. That sounds incredible.’ They’re just saying it because you told them it’s lossless and it sounds like the right thing to say, but you just can’t tell.”

If you go by the message that Cue and Apple are pushing, the Dolby Atmos-powered spatial audio feature is where the true breakthrough is. “When I look at Dolby Atmos, I think it’s going to do for music what HD did for television,” Cue said in the *Billboard* interview. And then he *really* went in:

“I think this is going to take over everything. It’s the way I want to listen to music when I’m in my car. It’s going to be the way I listen to music immediately with my AirPods. It’s going to be the way I listen to music in my house. In a way, it won’t feel very good when I’m listening to something that’s not Dolby Atmos because it’s so good. It’s like when I’m watching HD, it’s hard to go back.”

“This requires somebody who’s a sound engineer, and the artist to sit back and listen, and really make the right calls and what the right things to do are,” Cue told *Billboard* about mixing for spatial audio. “It’s a process that takes time, but it’s worth it.”

Problem is, with much of the Dolby Atmos content on Apple Music I’ve sampled so far, it doesn’t seem like everyone is making those right calls. It’s a hit-or-miss game of exploration, and songs that truly showcase the immersive potential of Atmos are more often the exception than the rule. In many cases, spatial audio tracks have an

artificial wideness to them, unfamiliar placement of vocals and instrumentation, and just sound... *off*. Distant? Too reverb-y? Pick your preferred interpretation. Yet, Apple is so confident in Apple Music's spatial audio that essentially overnight it became the default for millions of customers listening with AirPods.

But let's back up a bit.

What is spatial audio supposed to do for music?

In a word, it's all about immersion. Here's how Cue hyped it: "it makes you feel like you're onstage, standing right next to the singer, it makes you feel like you might be to the left of the drummer, to the right of the guitarist." On its website, [Apple says](#) "music created in Dolby Atmos is freed from channels, allowing artists to place individual sounds all around you."

Whoa there. Like all of Apple's senior executives, Eddy Cue knows how to pitch something. But if you slap on your AirPods and expect to feel like an invisible person standing in the middle of a recording session, you'll probably be underwhelmed.

When it's done well, spatial audio does indeed give music a unique feeling of breadth. And it's in a different way than a high-end pair of headphones might bring the most out of a stereo track's soundstage. In particular, vocals often have a very distinct placement in the mix and cut through better than on traditional stereo tracks. That's the most consistent advantage I've noticed with spatial audio music. But because of the different mix, you'll very likely also pick up on details or sounds that ordinarily don't stand out in the regular version of a song. And on the best Atmos tracks, everything has a lot more room to breathe.

But when engineers don't put much care into an Atmos mix, it really shows. Sometimes giving everything so much space can take the impact or crunch out of guitars. Or other aspects of a track fall flat.

I've included just a few samples below where the spatial audio version of a song is an obvious downgrade from the original. But there are many, and when you hit a few in a row where the vocals sound weird or something's amiss, it can detract from the listening experience.

How many songs are available in Dolby Atmos spatial audio?

Apple currently isn't providing a hard number, and is instead only saying that "thousands" of tracks are available with spatial audio at launch, with many more on the way.

How do I know when I'm hearing spatial audio on Apple Music?

You'll see either a Dolby Atmos or Dolby Audio logo appear on the Now Playing screen beneath the album artwork.

A few random, good examples of Apple Music spatial audio:

Note: if the below tracks don't initially play as Dolby Atmos, try browsing to them from Apple's new playlists like [made for spatial audio](#), [hits in spatial audio](#), plus genre-specific playlists for [pop](#), [rock](#), [hip-hop](#), [country](#), and others.

["Don't Know Why" by Norah Jones](#) — This is one where I nearly buy into Cue's description. Close your eyes, and you could almost transport yourself to a small club where the spread of this mix feels like a live version of Jones' career-making hit. Stereo doesn't take you to the same place.

["Paparazzi" by Lady Gaga](#) — With a very surround sound-esque mix (skip to the second verse at 1:23 for the best examples), this is a great example of an old pop hit with an excellent spatial audio treatment.

[“Boom” by Tiësto and Sevens](#) — A fun, lively track that does give off a nice surround sound effect.

[“Black Skinhead” by Kanye West](#) — This one is another good example of the “beyond two-channel” openness that spatial audio can provide.

A whole lot of [jazz](#) and [classical](#) — If there are two genres that naturally lend themselves to spatial audio and Dolby Atmos, it's jazz and classical. Orchestras can sound truly massive, and it's a captivating way to listen to jazz ensembles where it's easy to hear even the quietest notes.

Other examples where it just sounds wrong

[“Buddy Holly” by Weezer](#) — The guitars basically lose all life in this mix and vocals dominate the entire thing in a way that just sounds strange and bad. And yet this song is on Apple's own playlist meant to showcase Atmos.

[“Follow Your Arrow” by Kacey Musgraves](#) — Apple mentioned Musgraves as an artist to check out with Atmos. And while her most recent album *Golden Hour* sounds... fine... her breakthrough *Same Trailer Different Park* is pretty rough in spatial audio format. “Follow Your Arrow” seems to lose most of its background vocals, and even the main guitar melody is way quieter here than in the regular mix. It almost comes off like a demo recording.

[“What's My Age Again?” by Blink 182](#) — This is another song that Apple seems to think makes spatial audio sound good, but I'd strongly argue it does the opposite. Mark Hoppus' muffled vocals legitimately sound like they were recorded through a phone.

[“Alex Chilton” by The Replacements](#) — Is that enough cowbell for you during the chorus? It overpowers everything else and makes me feel like I'm in the old Christopher Walken *SNL* skit, only with a different band.

I'm curious to hear some of your examples that sound great, and others you've found that are a disappointment with Atmos.

Do I need AirPods or Beats headphones for Apple Music spatial audio?

No. Apple Music's spatial audio works on:

- All headphones and earbuds
- The loudspeakers on supported iPhones, iPads, and Macs
- Apple TV 4K

If you set Dolby Atmos to "always on" in settings for the Music app, you'll see a pop-up advising that it probably won't sound right on all speakers, but Apple Music will still play the spatial audio mix if that's your preference. In fact, [Apple clearly states](#) that you can "listen on any headphones" to Apple Music's spatial audio.

How do I turn off Apple Music spatial audio if I don't like it?

iOS and iPadOS: Go to Settings > Music > Dolby Atmos (under "audio"), and there you can pick between automatic, always on, and off.

If you'd prefer to leave Atmos on by default but want to quickly switch to a regular stereo version of any song that's playing, just pull down Control Center, press and hold on the volume slider, and toggle off spatial audio. Apple Music will switch over to stereo. If you turn spatial audio back on, you'll return to the Atmos track.

macOS: In the Music app, open preferences and select the "playback" tab. Halfway down you'll see an "audio quality" section and Atmos is in there. You get the same three automatic / always on / off choices as on Apple's mobile devices.

Head tracking is coming to Apple Music spatial audio this fall

Apple Music's spatial audio is currently much different than the spatial audio experience you get when watching movies and TV shows on an iPhone or iPad. For videos, Apple includes a head-tracking feature that adjusts the sound placement as you turn your head to keep it anchored to the source device. This trick is exclusive to the AirPods lineup, but it's a very impressive effect.

Apple has said it plans to bring this sound-changes-as-you-turn-your-head feature to Apple Music in the fall — likely with iOS 15.

Is this just a gimmick?

That's really the question that remains to be answered. But Apple isn't alone in hyping multidimensional music (nor is it the first to do so). Amazon, Tidal, and others are also increasingly pushing the experience. I recently [reviewed an extravagant Sony speaker](#) that positions 360-degree audio as its main selling point.

Are people like Eddy Cue and [Zane Lowe](#) right in their insistence that spatial audio will revolutionize how we consume music in the same way that stereo did? Or is this a gimmick like 3D TVs that will fizzle out and be forgotten within a few years? If it's going to be the former, it'll take a lot of work and creativity from artists, producers, and mixers to make this format shine.

Because right now, for every Atmos spatial audio track that's a standout on Apple Music, there are a dozen others that are quite meh — or worse than in stereo. We're still in the early days, and now that Atmos is officially part of Apple Music, hopefully the consistency will improve. When you do find those mixes where they totally nail it, it's something special.

Apple should make it easier to switch between Atmos and stereo

But in the meantime, and to avoid turning people *off* from Atmos when they land on a lackluster mix, Apple Music should make it easier to go back and forth between spatial audio and regular stereo tracks on a per-song basis. One solution could be displaying a choice when you tap on the Dolby icon, similar to the “go to artist / album” options that appear when tapping on an artist’s name.

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PRESS RELEASE

May 17, 2021

Apple Music announces Spatial Audio with Dolby Atmos; will bring Lossless Audio to entire catalog

The next generation of sound on Apple Music is coming to subscribers June 2021 at no additional cost





Spatial Audio with Dolby Atmos and Lossless Audio are coming to Apple Music subscribers beginning June 2021.



CUPERTINO, CALIFORNIA — Apple today announced Apple Music is bringing industry-leading sound quality to subscribers with the addition of Spatial Audio with support for Dolby Atmos. Spatial Audio gives artists the opportunity to create immersive audio experiences for their fans with true multidimensional sound and clarity. Apple Music subscribers will also be able to listen to more than 75 million songs in Lossless Audio — the way the artists created them in the studio. These new features will be available for Apple Music subscribers starting next month at no additional cost.

“Apple Music is making its biggest advancement ever in sound quality,” said Oliver Schusser, Apple’s vice president of Apple Music and Beats. “Listening to a song in Dolby Atmos is like magic. The music comes from all around you and sounds incredible. Now we are bringing this truly innovative and immersive experience to our listeners with music from their favorite artists like J Balvin, Gustavo Dudamel, Ariana Grande, Maroon 5, Kacey Musgraves, The Weeknd, and so many more. Subscribers will also be able to listen to their music in the highest audio quality with Lossless Audio. Apple Music as we know it is about to change forever.”

Spatial Audio with Support for Dolby Atmos

Apple is bringing Spatial Audio with support for Dolby Atmos to Apple Music. Dolby Atmos is a revolutionary, immersive audio experience that enables artists to mix music so the sound comes from all around and from above. By default, Apple Music will automatically play Dolby Atmos tracks on all AirPods and Beats headphones with an H1 or W1 chip, as well as the built-in speakers in the latest versions of iPhone, iPad, and Mac. Apple Music will be adding new Dolby Atmos tracks constantly and will be curating a special set of Dolby Atmos playlists to help listeners find the music they love. In addition, albums that are available in Dolby Atmos will have a badge on the detail page for easy discovery.

At launch, subscribers can enjoy thousands of songs in Spatial Audio from some of the world’s biggest artists and music across all genres, including hip-hop, country, Latin, pop, and classical. Apple Music is working with artists and labels to add new releases and the best catalog tracks, as more artists begin to create music specifically for the Spatial Audio experience. Together, Apple Music and Dolby are making it easy for musicians, producers, and mix engineers to create songs in Dolby Atmos. Initiatives include doubling the number of Dolby-enabled studios in major markets, offering educational programs, and providing resources to independent artists.

"Today marks the introduction of Dolby Atmos on Apple Music — a new music experience that is transforming how music is created by artists and enjoyed by their fans," said Kevin Yeaman, Dolby Laboratories' president and CEO. "We are working with Apple Music to make Dolby Atmos widely available to all musicians and anyone who loves music."

J Balvin said: "I'm really excited to be part of this project with Apple Music because I always want to be a step ahead and I think this is one of those steps. With Lossless, everything in the music is going to sound bigger and stronger but more importantly, it will be better quality. Hearing myself and my music in Dolby Atmos for the first time, it was just crazy, it blew my mind, it's indescribable. I think fans will really love this new experience."

Gustavo Dudamel said: "There are no words to describe the immersive, overpowering experience of being a conductor, leading a performance of Mahler's towering 'Symphony of a Thousand.' But now, technology is advancing to bring that experience closer to our ears, our minds, and our souls. Share with me this monumental, live performance with my beloved Los Angeles Philharmonic, remastered in Dolby Atmos audio technology for the first time on Apple Music alongside my collection of Deutsche Grammophon recordings with the LA Phil, in rich, remarkable 3D sound."

Grammy Award-winning producer, songwriter, and composer Giles Martin said: "Since recording began, artists, producers, and engineers have tried to paint pictures with sound, transporting listeners to worlds they never knew existed, even when the sound came from a single speaker. Now with the dawn of immersive audio, we can take the music lover inside the music. From the feeling of hearing your favorite artist in the same room as you, to the experience of sitting directly in the middle of a symphony orchestra, the listening experience is transformative and the possibilities for the creator are endless. This is a quantum leap in technology – I have so far had the pleasure of mixing some of the greatest artists in history in Dolby Atmos. With this work I have found myself falling into albums I love. There is a unique experience of being able to fully immerse myself in music that, although is familiar, suddenly sounds new, fresh, and immediate. As a creator, it is beyond exciting that we can now share this incredible experience through Apple Music."

Grammy Award-winning mixing engineer Manny Marroquin said: "Spatial Audio gives music a new identity. Every time I mix in Atmos it gives me goosebumps. The future has arrived."

Lossless Audio

Apple Music will also make its catalog of more than 75 million songs available in Lossless Audio. Apple uses ALAC (Apple Lossless Audio Codec) to preserve every single bit of the original audio file. This means Apple Music subscribers will be able to hear the exact same thing that the artists created in the studio.

To start listening to Lossless Audio, subscribers using the latest version of Apple Music can turn it on in Settings > Music > Audio Quality. Here, they can choose different resolutions for different connections such as cellular, Wi-Fi, or for download. Apple Music's Lossless tier starts at CD quality, which is 16 bit at 44.1 kHz (kilohertz), and goes up to 24 bit at 48 kHz and is playable natively on Apple devices. For the true audiophile, Apple Music also offers Hi-Resolution Lossless all the way up to 24 bit at 192 kHz.¹

Mastering Engineer Piper Payne said: "The soul and life of the mix is sitting in the extra bits of data that are stored in the lossless file. As a mastering engineer, having the ability to convey the music to the listener at its highest quality is the end goal of what I work for every day."

Availability

- Spatial Audio with support for Dolby Atmos and Lossless Audio will be available to Apple Music subscribers at no additional cost.
- Thousands of tracks will be available in Spatial Audio with Dolby Atmos at launch, with more added regularly.
- Apple Music's catalog of more than 75 million songs will be available in Lossless Audio.

More information, including a comprehensive list of compatible devices, is available at apple.com/apple-music.

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About Apple Music

Apple loves music. With iPod and iTunes, Apple revolutionized the music experience by putting a thousand songs in your pocket. Today, Apple Music takes this to the ultimate with over 75 million songs, thousands of playlists, and daily selections from the world's best music experts, including all of the artists and hosts broadcasting daily across its Apple Music 1, Apple Music Hits, and Apple Music Country global live streams. Since 2015, Apple Music has welcomed tens of millions of subscribers in 167 countries and regions. Streaming seamlessly to iPhone, iPad, iPod, Apple Watch, Apple TV, Mac, HomePod, and CarPlay, Apple Music is the most complete music experience on the planet. Apple Music is also available on popular smart TVs, smart speakers, Android and Windows devices, and more — as well as online at music.apple.com.

Apple revolutionized personal technology with the introduction of the Macintosh in 1984. Today, Apple leads the world in innovation with iPhone, iPad, Mac, Apple Watch, and Apple TV. Apple's five software platforms — iOS, iPadOS, macOS, watchOS, and tvOS — provide seamless experiences across all Apple devices and empower people with breakthrough services including the App Store, Apple Music, Apple Pay, and iCloud. Apple's more than 100,000

employees are dedicated to making the best products on earth, and to leaving the world better than we found it.

1. Due to the large file sizes and bandwidth needed for Lossless and Hi-Res Lossless Audio, subscribers will need to opt in to the experience. Hi-Res Lossless also requires external equipment, such as a USB digital-to-analog converter (DAC).

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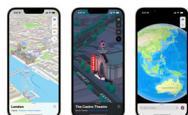
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https://www.apple.com/newsroom/2021/05/apple-music-announces-spatial-audio-and-lossless-audio/

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Amazon Music HD For All, Now at No Extra Cost

Subscribers to Amazon Music Unlimited can now upgrade to the highest quality streaming audio available, for free

Amazon Music HD gives listeners unlimited access to more than 70 million songs in High Definition (HD) audio, more than 7 million songs in Ultra HD, the highest-quality streaming audio available, and a rapidly-growing catalog of 3D Audio, including songs mixed in Dolby Atmos and Sony 360RA

May 17, 2021 09:15 AM Eastern Daylight Time

SEATTLE--([BUSINESS WIRE](#))--(**NASDAQ: AMZN**)) Amazon Music today announced that going forward, its high-quality streaming tier, Amazon Music HD, will be available to all eligible Amazon Music Unlimited subscribers at no extra cost, unlocking access to the highest-quality streaming audio for even more music fans. In 2019, Neil Young called the launch of HD audio for Amazon “*the biggest thing to happen in music since the introduction of digital audio*” and now, even more fans can stream music with all of the depth, vibrancy, and emotion from artists’ original recordings. Learn more about Amazon Music HD [here](#).

“the biggest thing to happen in music since the introduction of digital audio”

“When we first launched Amazon Music HD, our goal was to lead the industry by enabling music fans around the world to stream the best quality recording, the way artists intended their music to be heard,” said Steve Boom, VP of Amazon Music. “We’re thrilled now to make Amazon Music HD available to everyone at no extra cost. All music fans should have access to this quality of music, and now they do!”

With Amazon Music HD, customers can stream more than 70 million lossless, High Definition (HD) songs, with a bit depth of 16 bits and a sample rate of 44.1kHz (CD quality).

Customers can also stream more than 7 million songs in Ultra HD (better than CD quality), with a bit depth of 24 bits and a sample rate up to 192 kHz, which reveals even more nuances that were once flattened in files compressed for digital streaming. Amazon Music HD has added more than 5 million songs to its Ultra HD catalog since its 2019 launch, providing customers with the largest selection of music in Ultra HD. With Amazon Music HD, customers also have access to a rapidly-growing catalog of songs remixed in 3D Audio formats such as Dolby Atmos and Sony 360RA. Listeners can stream these 3D mixes when listening on Amazon's groundbreaking high-fidelity smart speaker, Echo Studio. Music in 360RA can also be streamed via Amazon Music HD on Sony's RA5000 and RA3000 speakers by using Alexa Cast.

New and existing subscribers to the Amazon Music Unlimited Individual Plan, at \$7.99/month for Prime members and \$9.99/month for Amazon customers, or the Family Plan, at \$14.99/month, can now easily upgrade to Amazon Music HD at no extra cost. The Amazon Music HD tier was previously an additional \$5/month for current subscribers to the Individual or Family Plan. For current subscribers to Amazon Music HD, there will be no extra charge for HD starting with their next billing cycle.

Subscribers to Amazon Music Unlimited can now upgrade to Amazon Music HD at no extra cost in the US, UK, Germany, Canada, France, Italy, and Spain. Learn more [here](#).

About Amazon Music

Amazon Music reimagines music listening by enabling customers to unlock millions of songs and thousands of curated playlists and stations with their voice. Amazon Music provides unlimited access to new releases and classic hits across iOS and Android mobile devices,

PC, Mac, Echo, and Alexa-enabled devices including Fire TV and more. With Amazon Music, Prime members have access to ad-free listening of 2 million songs at no additional cost to their membership. Listeners can also enjoy the premium subscription service, Amazon Music Unlimited, which provides access to more than 70 million songs and the latest new releases. And with Amazon Music HD, customers have access to the highest-quality listening experience available, with more than 70 million songs available in High Definition (HD), more than 7 million songs in Ultra HD, and a growing catalog of 3D Audio. Customers also have free access to an ad-supported selection of top playlists and stations on Amazon Music. All Amazon Music tiers now offer a wide selection of podcasts at no additional cost, and live streaming in partnership with Twitch. Engaging with music and culture has never been more natural, simple, and fun. For more information, visit amazonmusic.com or download the Amazon Music app.

About Amazon

Amazon is guided by four principles: customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking. Amazon strives to be Earth's Most Customer-Centric Company, Earth's Best Employer, and Earth's Safest Place to Work. Customer reviews, 1-Click shopping, personalized recommendations, Prime, Fulfillment by Amazon, AWS, Kindle Direct Publishing, Kindle, Career Choice, Fire tablets, Fire TV, Amazon Echo, Alexa, Just Walk Out technology, Amazon Studios, and The Climate Pledge are some of the things pioneered by Amazon. For more information, visit amazon.com/about and follow @AmazonNews.

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Signed: /s/ Benjamin K Semel